

Annual Report 2013

Cover page : detail of the front facade of the Roost Centre.

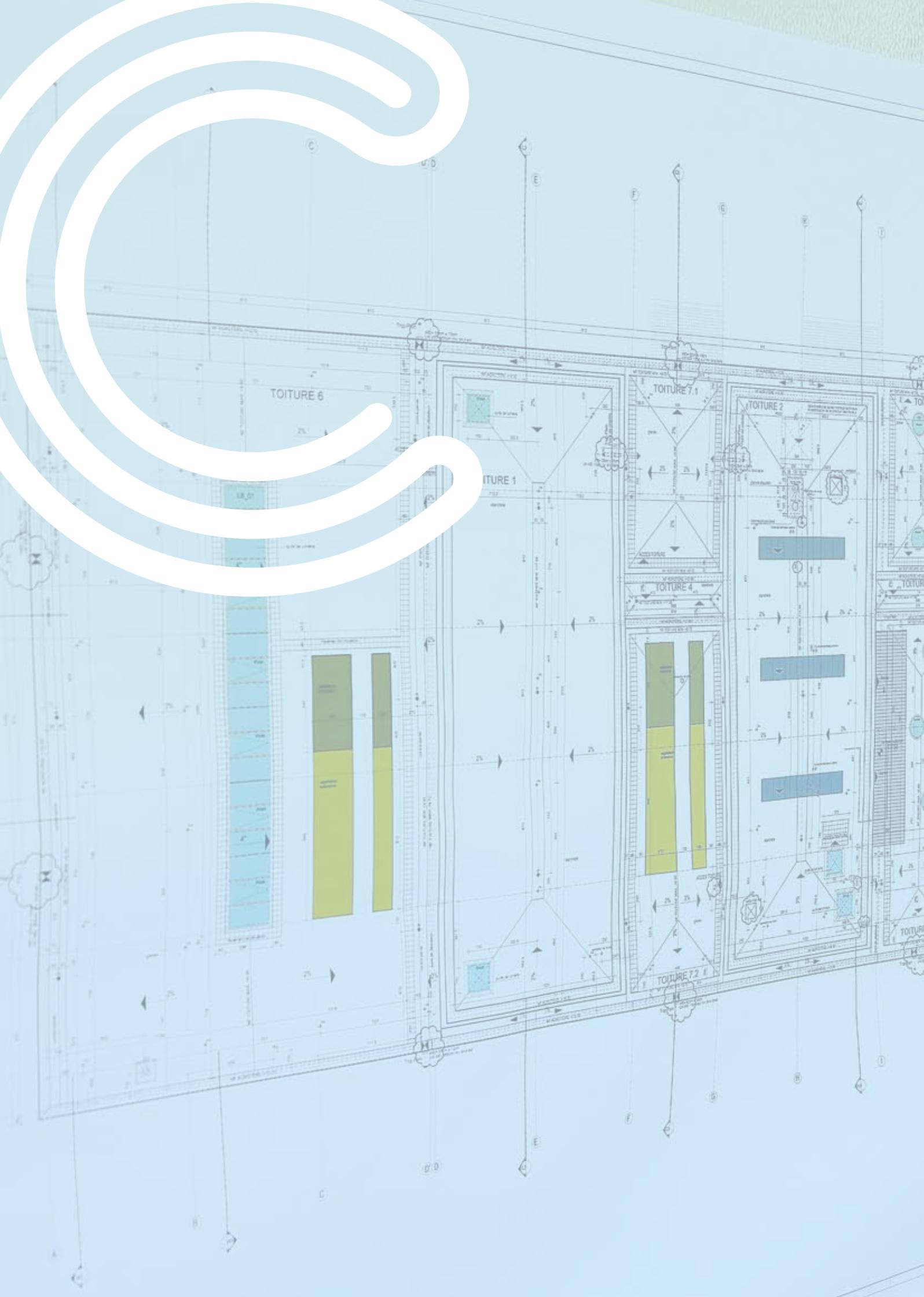
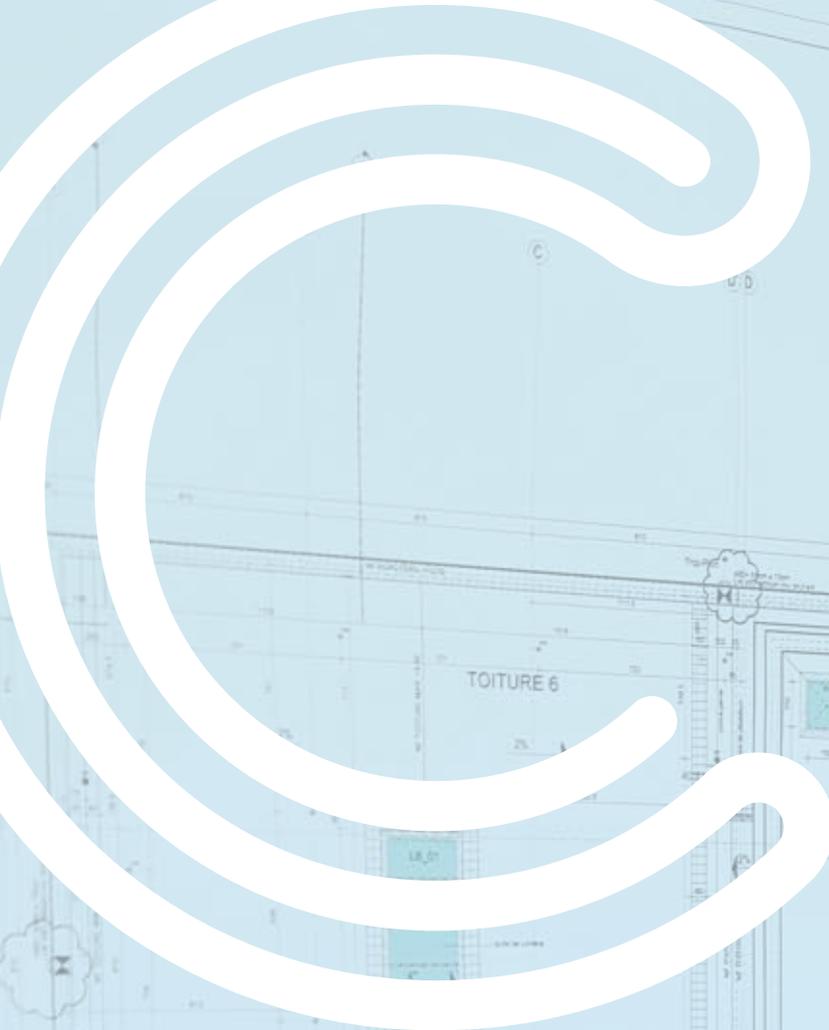
Creos Luxembourg S.A.

Registered as a société anonyme (public limited company) under Luxembourg law with capital of EUR 198,851,260
Luxembourg Trade and Companies' Register B 4513
Legal headquarters: 59-61 rue de Bouillon, L-1248 Luxembourg

Annual General Meeting of 13 May 2014

Reports presented to the annual general meeting of shareholders by the Board of Directors and the independent auditors

Reports and annual accounts for the 2013 financial year



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The new Roost site, which will open its doors in Autumn 2014, will bring together the existing regional electricity centres of Heisdorf and Wiltz, the Heisdorf high-voltage service, the Contern regional natural gas centre and the Mersch workshops and central store.

The Centre will welcome more than 240 people around the two Creos flagship business lines of electricity and natural gas.

Discover this new site through the photos illustrating this annual report. The photos were taken from the time construction began in 2011 until the building was completed in 2014.

I. Introduction



1 Mission

Creos' mission to ensure the transportation and distribution of energy over the electricity supply and distribution networks and the natural gas pipelines is carried out reliably and at competitive prices in the Grand Duchy of Luxembourg.

The company performs this mission in a non-discriminatory way under the control of the "Institut Luxembourgeois de Régulation" (ILR) and meets its environmental protection obligations.

Creos recognises that certain values are essential to the accomplishment of its mission. Day-to-day activities focus on ensuring commitment, quality, safety and innovation.

A highly skilled and efficient workforce that enjoys excellent working conditions strives to provide high-quality services for the public. The human element is always a priority.

2 Values

Ensuring that people from different backgrounds work harmoniously together is a priority in terms of achieving satisfaction and efficiency in the workplace. With this goal in mind, Creos consulted its entire workforce to determine a set of common guiding principles. This gave rise to four shared values.



Commitment

Energy, motivation and job satisfaction are the principles adopted by employees when assuming the responsibilities involved in their respective tasks on a daily basis. Employees demonstrate commitment and accept current and future challenges.



Quality

All tasks assigned are performed with great care and customers are provided with impeccable service. The technical skills displayed ensure the quality of the network, the optimization of transport and security of supply.



Safety

The safety guidelines and requirements communicated at regular intervals during seminars and training sessions are adhered to and constantly applied in the specific fields of activity. Creos employees always prioritise safety.



Innovation

Employees are receptive to new technologies and anticipate future developments by continually improving their skill sets. Innovative and future-oriented, Creos teams are ready to tackle the challenges of tomorrow.

Creos' values are vital to successfully performing its public service remit.

3 Shareholder structure as at 31.12.2013

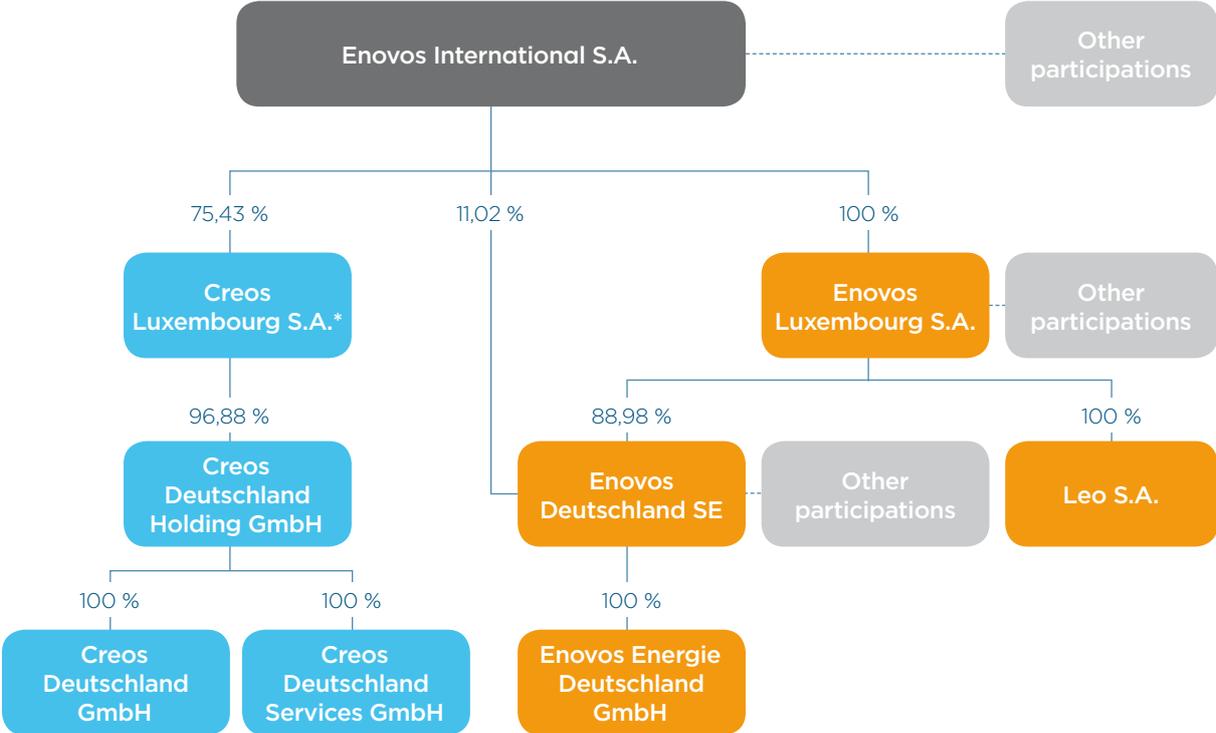
Shareholder structure of Creos Luxembourg S.A.

Enovos International S.A.	75.43 %
City of Luxembourg	20.00 %
State of the Grand Duchy of Luxembourg	2.28 %
Fédération des Installateurs en Equipements Sanitaires et Climatiques (Federation of Sanitary and Air-Conditioning Equipment Fitters)	0.10 %
42 Luxembourg Municipal Authorities	2.13 %
Creos Luxembourg S.A. (own shares)	0.05 %
Total	100.00 %



4 Structure of the Enovos Group

as at 31.12.2013



* Creos Luxembourg S.A. holds 0.05 % own shares.

5 Key Figures

Key Figures Creos Luxembourg S.A. (under Lux GAAP)		2012	2013
Net turnover	M€	191.4	202.5
EBITDA	M€	92.8	111.6
EBIT	M€	49.9	67.0
Profit for the financial year	M€	50.5	64.2
Electricity			
Electricity flow	GWh	4,852.5	4,856.8
Electricity network peak	MW	778.4	772.0
Network length	Km	9,172.4	9,310.9
Natural gas			
Total gas network capacity	Nm ³ /h	287,043	280,000
Gas network peak	Nm ³ /h	296,550	253,000
Volume transported	GWh	13,581.9	11,499.5
Network length	Km	1,872.0	1,911.8
Workforce (average) ⁽¹⁾		638	652

⁽¹⁾ Including workforce of City of Luxembourg made available to Creos Luxembourg S.A.

The financial year corresponds to the calendar year.

6 Corporate Governance Bodies of the Company

Board of Directors of Creos Luxembourg S.A. as at 31.12.2013

GROTZ Mario	Chairman and Managing Director
GAILLOCHET Benoît	Vice-Chairman of the Board
BECKER Romain	Managing Director and CEO
COLLING Patrick	Member of the Board
FELZINGER Fernand	Member of the Board
FESS Manfred	Member of the Board
KAMPHUES Stephan	Member of the Board
KUFFER Thierry	Member of the Board
LAUWERS Mark	Member of the Board
LEONHARD Marc	Member of the Board
MICHEL Roland	Member of the Board
MOLITOR Georges	Member of the Board
NICOLAI Alain	Member of the Board
REUTER Georges	Member of the Board
SCHAUL Christiane	Member of the Board
SCHILTZ Jean	Member of the Board (Coordination Committee of the Communes)
SCHILTZ Jean	Member of the Board (City of Luxembourg)
THEIN Patrick	Member of the Board
VAN GOETHEM Anne	Member of the Board
VALENTINY Marco	Member of the Board
EISCHEN Tom	Government Commissioner for Energy

7 Creos, creator of smart grids

Creos, a member of the Enovos Group, owns and manages electricity and natural gas networks in Luxembourg and Germany. The company is responsible for planning, establishing, maintaining, managing and repairing these networks. It employs some 650 people, who are responsible for carrying out this public service.

However, its 650 employees do more than maintain the conventional networks we know today, they are also agents of the transition to a more "carbon free" economy, thanks to the growing contribution of renewable energies. The increasing number of wind turbines and solar panels connected to the power grids means that smarter grids will be required in future to maintain the security of supply. Hence the need to integrate new technologies. There has generally been a significant increase in investments in recent years, with the volume of works doubling from 2011 to 2013. It has now exceeded 120 million euros a year and this level will be more or less maintained for the 2014-2018 period in order to maintain the current high level of reliability.

The new grids are characterised by an enhanced level of communication and data exchange. Creos will install 300,000 new electricity and natural gas smart meters by 2020. It will then be possible to read meters, change power ratings or change customers without the need for a Creos agent to attend in person. Customers will also benefit from better information about their consumption, which will encourage them to pay better attention to their energy bill.

Information technologies will thus play an increasing role in grid management aimed at optimising energy control and managing energy flows. Creos will have to monitor a more decentralised power generation system and more intermittent regional generation from wind turbines and photovoltaic panels. Smart grids must therefore be developed to optimise the generation, consumption and storage of electricity.

Creos has also been asked to get involved in public charging terminals for electric vehicles. Approximately 850 charging terminals will be installed throughout the country in upcoming years for the purpose of promoting electrical mobility in Luxembourg and therefore helping to cut CO₂ emissions in the transport sector.

A full-page photograph of two men in business suits standing on a grassy area in front of a modern building with large glass windows. The man on the left is wearing a dark suit, a bright blue shirt, and a striped tie. The man on the right is wearing a dark suit, a light-colored striped shirt, and a red patterned tie. Both are wearing glasses and have their hands in their pockets. The background shows a clear blue sky and some greenery.

Romain Becker
Managing Director
and CEO

Mario Grotz
Chairman
and Managing Director





II. Management Report and Statistics

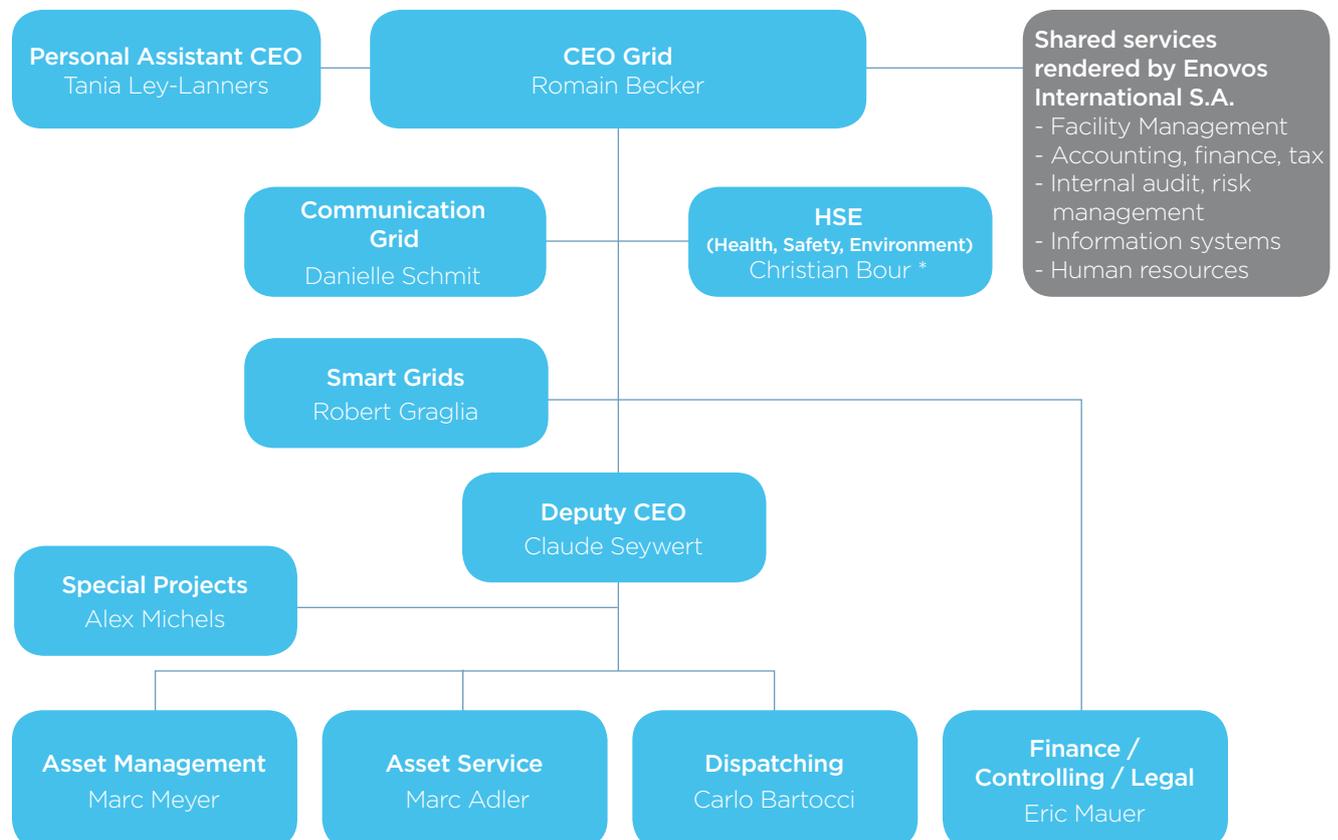


Management Committee

From left to right:
Carlo Bartocci,
Marc Adler,
Claude Seywert,
Romain Becker,
Eric Mauer,
Marc Meyer.

1 Internal Organisation Creos Luxembourg S.A.

As at 01.01.2014



* since 01.02.2014

Administrative Coordination Committee

From left to right:
Robert Graglia,
Tania Lanners,
Christian Bour,
Danielle Schmit,
Carlo Klein,
Pascal Hubert.



2 Development of Energy Demand

2013 saw a slight recovery of economic activity. While it cannot be defined as a full-blown recovery of the economic situation after the 2008/2009 crisis years, estimates presented by the Statec statistics office in respect of international bodies show GDP growth of around 2 % in Luxembourg in 2013.

It is interesting to note in this context that the near perfect correlation that existed in previous decades between GDP growth and electricity needs no longer exist. Structural changes have taken place since 2008 which mean that, for example, Luxembourg's electricity requirement in 2013 (including the needs of the steel industry) fell by 1 %. This reduction can undoubtedly be partly explained by widespread energy saving initiatives.

In the natural gas sector, two distinct trends can be seen. In the local distribution sector, natural gas requirements are rising slightly following extension of the grid and an increase in the population, but demand is affected by the weather. 2013 was colder than 2011 or 2012, which explains the 6 % rise in this sector.

However, industrial requirements are down, including in particular the large scale electrical energy generation sector. In the current situation, electricity generation from natural gas is in fact no longer profitable. This phenomenon can be seen everywhere in Europe, where numerous natural gas power plants have been temporarily shut down, although they are considered to be among the cleanest power plants in terms of greenhouse gas emissions!

Electricity

Electricity movement

Consumption

The total volume of electricity fed into the grid at national level via

- 220 kV interconnection lines,
- self-generated electricity (with metering on customer sites) or
- local generation sources connected to Creos networks or to those of the four municipal or private distributors,

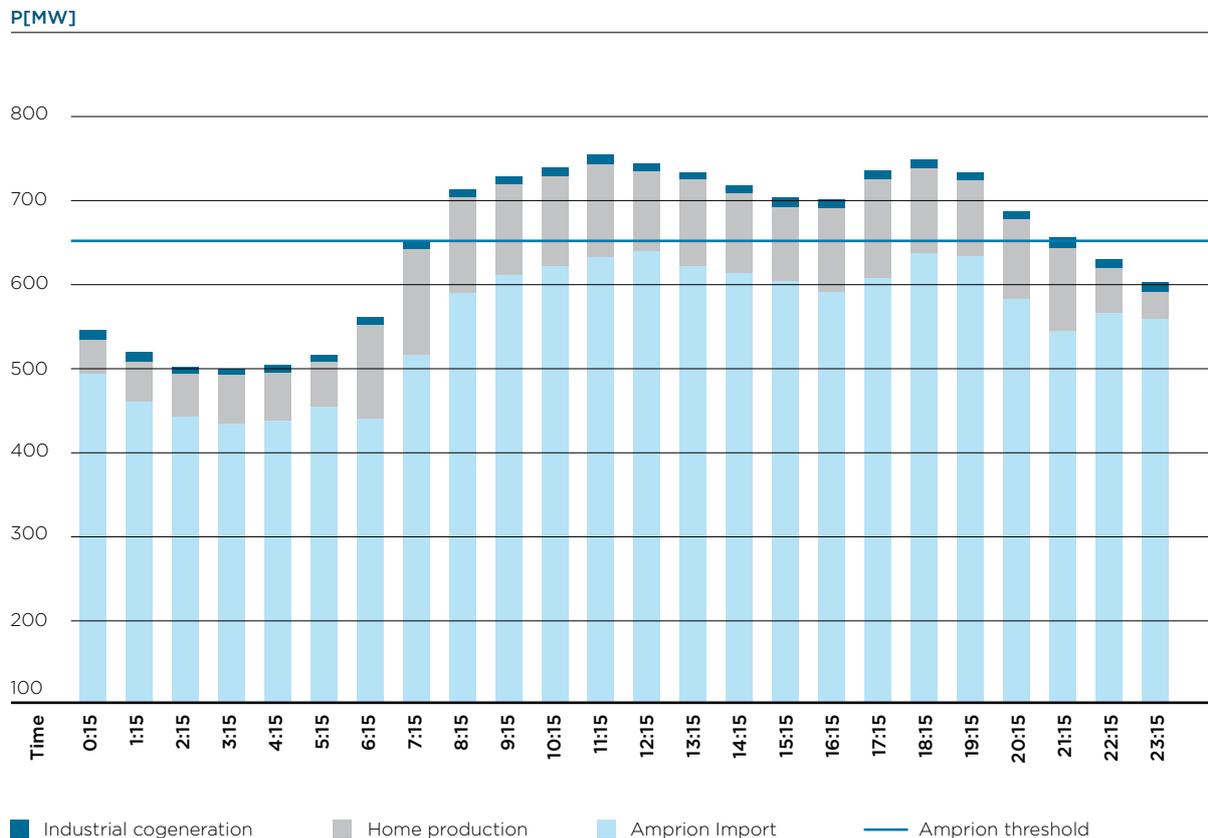
amounted to **4,856.8 GWh** in 2013 (4,852.5 GWh in 2012), corresponding to minimal growth of **0.1 %** in national consumption, excluding SOTEL's grid.

National peak

National peak demand in 2013 was **772.0 MW**, compared to **778.4 MW** in 2012. This peak was recorded at 11.45 a.m. on 17 January 2013.

The usage time for 2013 amounted to **6,291 hours**. Therefore, the maximum rate of use of the grid was **72 %**.

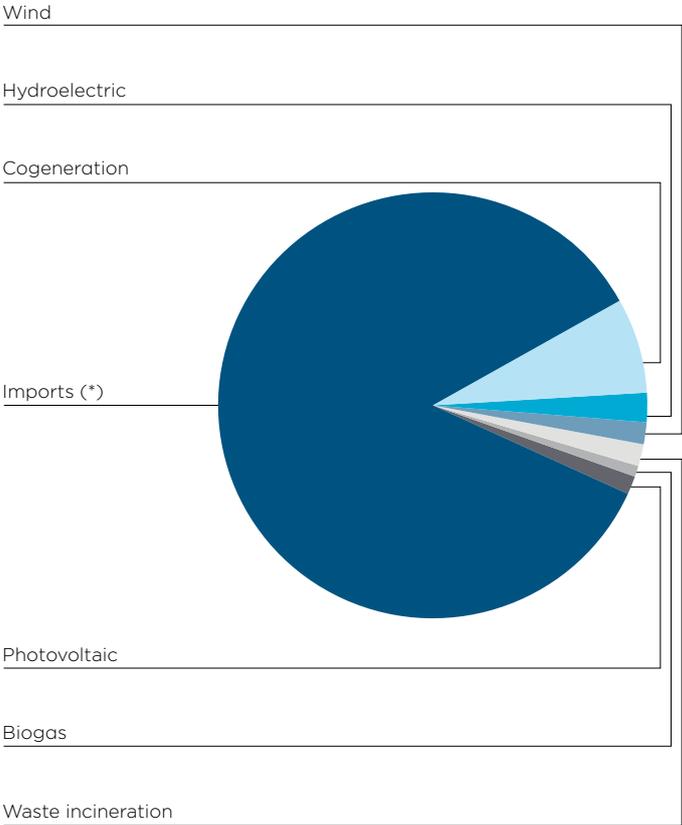
Evolution of national load during the day of 15.01.2013



Total electricity demand in the networks of Creos Luxembourg

Injections into the network (including local networks)

	GWh	Variations +/- %
Cross-border exchanges		
Imports (*)	4,137.0	- 0.5
Home production		
Cogeneration	344.9	- 6.5
Hydroelectric	106.2	+ 20.9
Wind	83.7	+ 8.8
Waste incineration	77.7	1.1
Biogas	51.0	- 8.3
Photovoltaic	55.6	+55.6
Total injection	4,856.8	+ 0.1
Of which renewables	374.2	+ 15.1

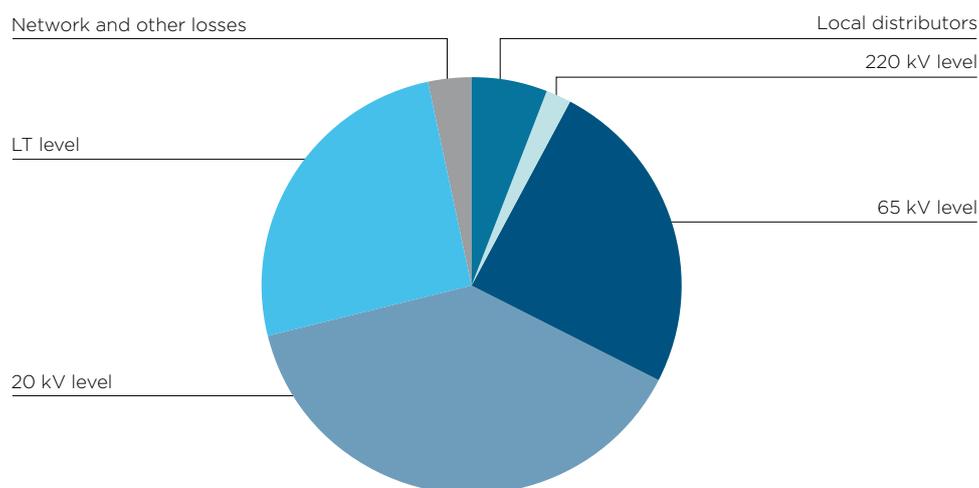


(*) including 100 MW Twinerg quota

Variation in total electricity demand on the Creos grids

Demand by tension level

	GWh	%
Demand		
Local distributors	287.7	5.9 %
220 kV level	99.5	2.0 %
65 kV level	1,202.8	24.8 %
20 kV level	1,865.3	38.4 %
LT level	1,248.3	25.7 %
Network and other losses	153.1	3.2 %
Total demand	4,856.8	



Total electricity demand by sector

(in GWh)	2012	2013	Variation
End customers			
Industrial sector	1,311.8	1,302.4	- 0.7 %
Business sector and SME industrial and trades	1,869.2	1,865.3	- 0.2 %
Residential and small companies	1,233.6	1,248.3	+ 1.2 %
Local distributors (Sudstrom, Mersch, Nordenergie, Steinerger)	283.7	287.7	+ 1.4 %
Losses	154.2	153.1	- 0.7 %
Total	4,852.5	4,856.8	+ 0.1 %



Natural Gas

Transported volume

In 2013, the volume carried on the transmission network amounted to a total of 11,499 GWh (-15.3 % compared to 2012: 13,582 GWh)

	2012	2013
Total capacity reserved for transmission (in Nm ³ /h)	287,043	280,000
Gas grid peak (in Nm ³ /h)	296,550	253,000
Total volume carried	13,582 GWh	11,499 GWh

Total demand for natural gas developed as follows:

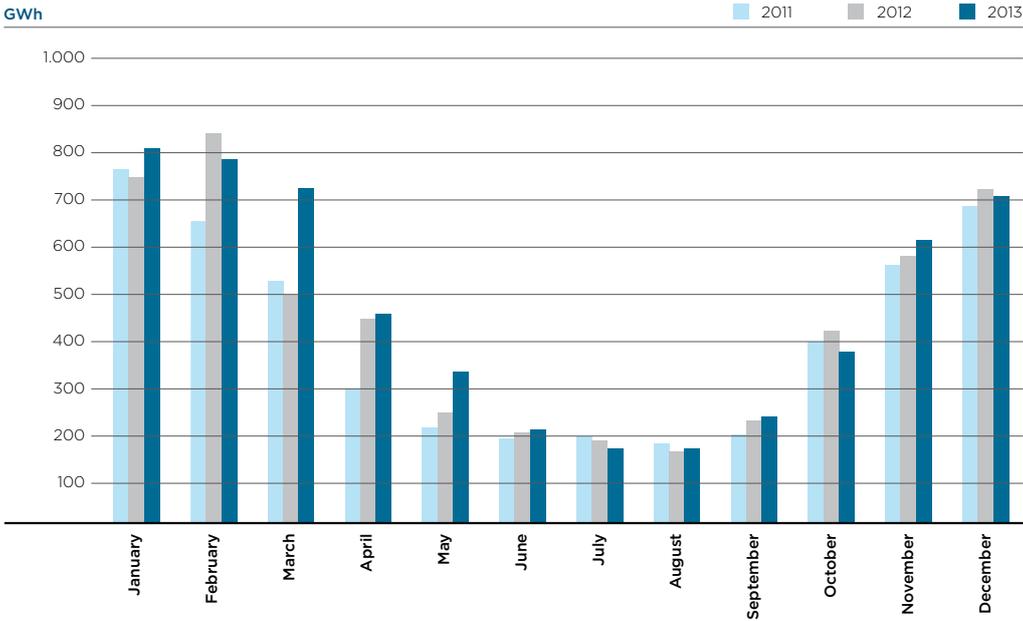
(In GWh)	2012	2013	
Total demand			
Industrial sector	4,052.8	3,624.4	- 10.6 %
Electricity generation (>100 MW)	4,244.3	2,285.2	- 46.2 %
Local distributors	5,284.8	5,589.9	+ 5.7 %
- of which Creos (Contern & Luxembourg-City)	2,889.9	3,540.9	+ 5.9 %
Total	13,582 GWh	11,499 GWh	- 15.3 %

The economic turmoil of 2013 led to a fall in consumption among industrial customers, a trend which was not offset by rising demand among residential customers.

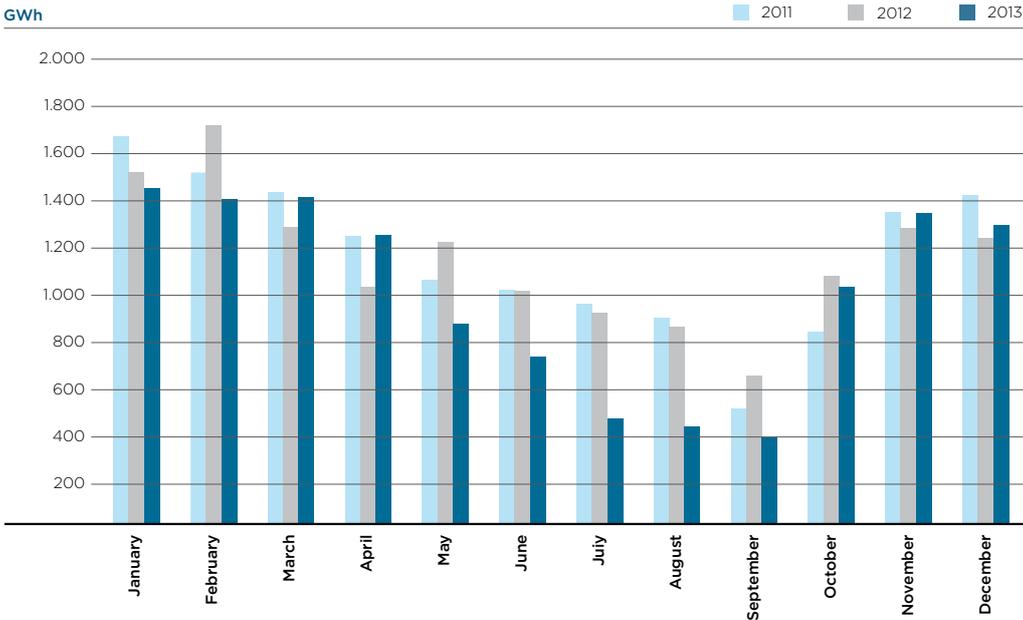


Evolution of demand in 2013 (transport and distribution)

Demand of public utilities per month



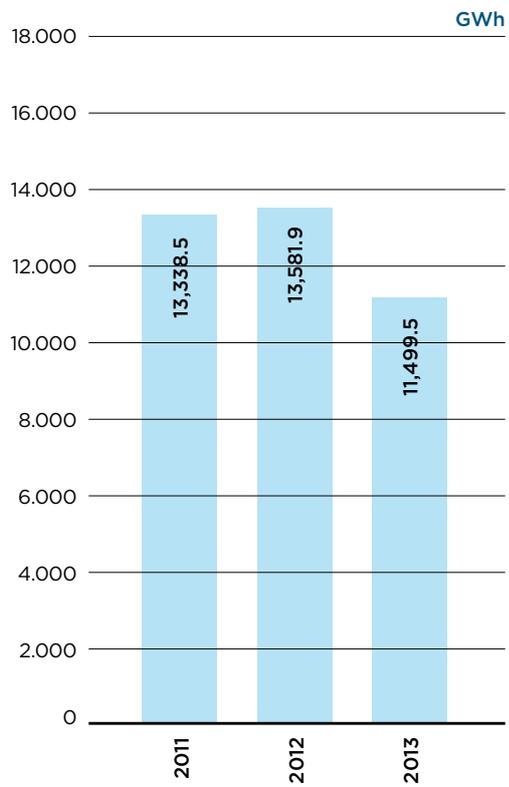
Total demand from 2011 - 2013 per month



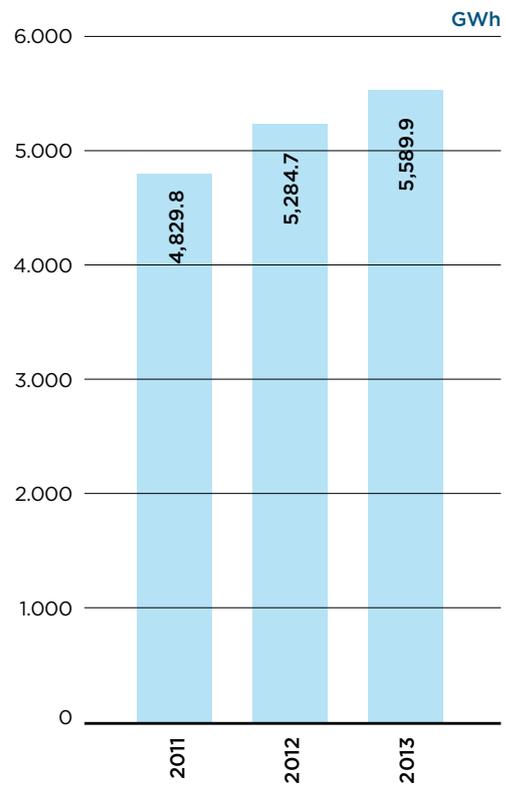
The total demand includes the industrial sector and the electricity production on a large scale.

Volume of natural gas transported per annum

Total demand

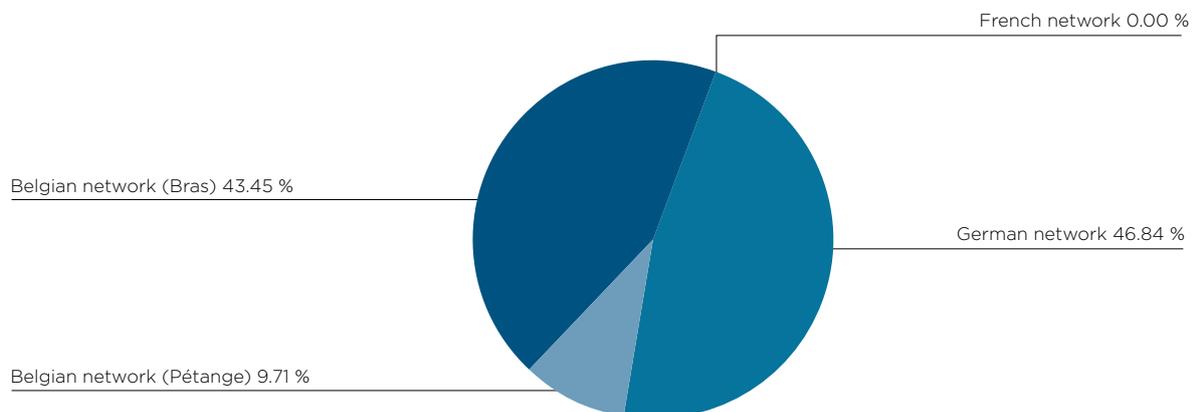


Public utilities



Breakdown of flows per point of entry to the transport network

Stations A	Pétange	1,116,776	9.71 %
Bras	Bras	4,996,332	43.45 %
EENF	French network	0	0.00 %
Remich	German network	5,386,416	46.84 %
Total		11,499,524	100.00 %





3 Technical Activity

Electricity

Luxembourg – Belgium 220 kV interconnection

With a view to securing the electricity supply for Luxembourg and integrating energy markets, Creos is talking to Elia, the Belgian grid operator, regarding a potential 220 kV interconnection of the Luxembourg and Belgian grids. A Memorandum of Understanding on this topic was signed in June 2013 and studies for the development of this interconnection are ongoing.

This new interconnection from the Elia station to Aubange (B) will join the two existing interconnection points from Germany.

This additional interconnector will be built in two phases namely:

- **pre-intermediate:**
installation of a 245/245 kV (PST) phase-shifting transformer in the line arrival section to TWINERG at the 220 kV Schifflange substation;
- **intermediate:**
switchover of the 245/245 kV phase-shifting transformer on the line to Bascharage - Aubange (B) and takeover by the Twinerg power plant in the Creos "Schifflange - OxyLux - Schifflange" loop.

Analyses and negotiations with Elia and Amprion are ongoing regarding the long-term solution.

Work carried out during 2013

Creos is responsible for maintaining and developing an electricity infrastructure capable of meeting the energy demands of a steadily expanding population and a cutting-edge, high-tech industry requiring a high-quality energy supply.

The 220 kV grid

The 220 kV Schifflange – TGV – SOTEL – OXYLUX two circuit line

Work on the link between the combined cycle gas and vapour power plant and the SOTEL substation, for the purpose of building a 220 kV Schifflange - OxyLux - Schifflange loop, were completed at the end of 2013.

Schifflange substation

Work on modifying the 220 kV sections of lines towards the 220 kV Twinerg and OxyLux substations were completed at the end of 2013.

Dispatching of Creos to Heisdorf

Adaptation of the SCADA grids management centre and the installation of an additional air-conditioning equipment were completed at the end of 2013.

Flebour substation

Replacement works on the low voltage section were completed at the end of 2013.

220 kV loop around the City of Luxembourg

The preparatory work and formalities required to obtain the missing administrative and private permits are ongoing. Construction work continues on the underground cables on the Heisdorf - Itzig/Bloeren section of the line.

Development of the new 220/65 kV transformer and distribution substation at Itzig/Bloeren continues.

Different 220/65/20 kV substations

Replacement of the transmission data equipment was completed in September 2013.

The 65 kV grid

Northern region

Construction work continues on the overhead and underground parts of the 65 kV Lentzweiler - Troisvierges line.

Construction work on the 65 kV Roullingen - Lentzweiler line was completed in December 2013. However the connection to the substations on the two sides of the line remains to be completed and will be carried out in 2014.

Eastern region

The construction of the 65/20 kV transformer and distribution substation in the audio-visual zone at Betzdorf is ongoing and will continue until mid-2015.

The construction of the 65 kV Wecker/Biwer - Betzdorf two circuit line, for future connection of the new shielded 65/20 kV substation in the audio-visual zone in Betzdorf, was completed at the end of 2013. The new substation will be connected in 2014.

Western region

Construction work on a new 65 kV underground line between the 65/20 kV "Koerich" and "Rédange" substations in order to close the western loop of the country was completed at the end of 2013. The two sides of the line will be connected to the substations in 2014.

The construction of the 65/20 kV transformer and distribution substation at Windhof continues and will continue until the end of 2015.

The connection of the 2x65 kV Bertrange - Cerametal - Koerich overhead line is under study and will be completed in 2015.

The studies and formalities required in order to obtain all the administrative permits for the renewal of the 65 kV Bascharge - Windhof overhead line are under way.

South-eastern region

Work continues on installing the two-circuit underground line between the new 220/65/20 kV substation to Itzig/Bloeren - Weimershaff via Kalchesbruck and the underground parts of the Itzig/Bloeren - Erpeldange, Itzig/Bloeren - Aspelt and Itzig/Bloeren - Contern lines.

The connection of the 2x65 kV Bertrange - Cloche d'Or - Howald - Itzig line to the 220/65/20kV Itzig/Bloeren substation is under preparation, including the renewal of the Itzig - Bonnevoie line, which will be connected from the aforesaid line.

Construction continues on the construction of the new 65/20 kV transformer and distribution substation, in the context of the development of the new

220/65 kV transformer and distribution substation in Itzig/Bloeren.

Work to modify the former 65/20 kV "WSA" transforming section is ongoing.

Southern region

Work continues to replace the 65/20 kV transformer and distribution substation at Esch/Ehlerange.

Following the authorisation of the Environment Ministry, the formalities for obtaining private permits have been launched to replace the 65 kV two-circuit overhead Schiffflange - Ehlerange line with an underground line.

Central region

Work to build the 65/20 kV "ECCO" transformer and distribution substation to replace the "Route d'Esch" substation continues.

Studies and preparatory work for the construction of the new 65/20 kV "Kirchberg C" transformer and distribution substation continue.

Work on the low-voltage section of the 65/20/5 kV transformer and distribution substation in Bonnevoie was completed in May 2013.

The preparatory work and the formalities required to obtain all the administrative permits for the extension and transformation of the "Belair" 65/20 kV substation continue.

Excavation work continues for the installation of various high-voltage underground lines in the City of Luxembourg area.

Modernisation of 65/20 kV transformer substations

Works to upgrade the equipment of the different 65/20 kV transformer substations continue.

Replacement of power transformers in various 65/20 kV transformer substations

In order to meet the increase in electricity consumption in the different regions of the country, work continues to replace power transformers with more powerful systems.



The 20 kV grid

Work continued to extend the medium-voltage grid by creating new loop lines and additional 20 kV outgoing lines from 220/65/20 kV and 65/20 kV substations. These investments will reduce the number of customers affected by any incident. As part of the medium-voltage network renewal and extension work, 44 new 20,000/400 V transformer substations have been developed. Furthermore, we have replaced different girder-mounted substations or former shielded substations. Many of these projects were undertaken at the request of, and in conjunction with, municipal authorities seeking to replace old girder-mounted substations with shielded substations or shielded buildings or other.

In addition, Creos confirms its commitment to gradually reducing the proportion of medium and low-voltage overhead lines. All the new medium-voltage lines were built underground, and the medium-voltage cabling rate has now reached 67.1 %.

Low-voltage network

Creos has strengthened and upgraded its networks in numerous towns and villages by installing underground low-voltage networks. These new lines installed underground raised the underground cabling rate as of the end of 2013 to 94.3 %.

Collaboration between Creos and municipal authorities is progressing well. All works are systematically co-ordinated with, for example, natural gas distributors, the transportation ministry's roads division and representatives of the postal company P&T Luxembourg. The aim is to minimise both cable-laying costs and the inconvenience caused to local residents.

On the low-voltage network, 4,429 new three-phase connections were implemented in 2013. In the context of the pilot projects, 700 smart meters were installed by Creos in 2013. The different test results allowed them to opt for PLC as the national communication technology. At the beginning of the year, the seven electricity and gas grid managers created the Luxmetering economic interest group with the aim of operating the smart meters remote management power station.

Evolution of the different networks

Network evolution		31/12/2012	31/12/2013
Transformer substations of 220/65/20 kV	(number)	6	6
Transformer substations of 65/20 kV (65/5 kV)	(number)	46	46
Transformer substations of 20,000 to 400/230 V	(number)	2,462	2,506
Low-tension lines (400/230 V)	overhead (km)	316	312.6
	underground (km)	5,069	5,130.8
	Total LT (km)	5,385	5,443.4
	Underground rate	94.1 %	94.3 %
Medium-tension lines (20 kV + 5 kV)	overhead (km)	1,106	1,089.2
	underground (km)	2,144	2,222.7
	Total MT (km)	3,250	3,311.9
	Underground rate	66 %	67.1 %
High-tension lines: 65 kV 2-phase	overhead (km)	187.1	187.1
	underground (km)	20.1	20.1
High-tension lines: 65 kV 1-phase	overhead (km)	197.8	213
	underground (km)	4.8	5.3
	Total 65 kV (km)	409.8	425.5
High-tension lines: 220 kV ^①	overhead (km)	122.4	122.4
	underground (km)	5.2	7.1
	Total 220 kV (km)	127.6	129.5
Total	(km)	9,172.4	9,310.9

^① including Schiffflange-Bascharage-Bertrange (18.7 km) temporarily operated at 65 kV

Protection of people and their environment

Gradual installation of power lines underground

Creos has made a specific commitment to bury network infrastructure underground in population centres and the surrounding areas when renewing lines or installing new infrastructure.

These works are often completed in close collaboration with the state and municipal authorities.

The burial of Creos power lines has now reached 94.3 % in low voltage and 67.1 % in medium voltage which represents more than 7,000 km and therefore more than $\frac{3}{4}$ of the grid, a European-level performance.

Total length of overhead lines	Change compared to 31.12.1992
End of 1992: 2.496 km	0 km
End of 1998: 2.264 km	- 232 km
End of 2013: 1.924 km	- 572 km

Integration of substations into the environment

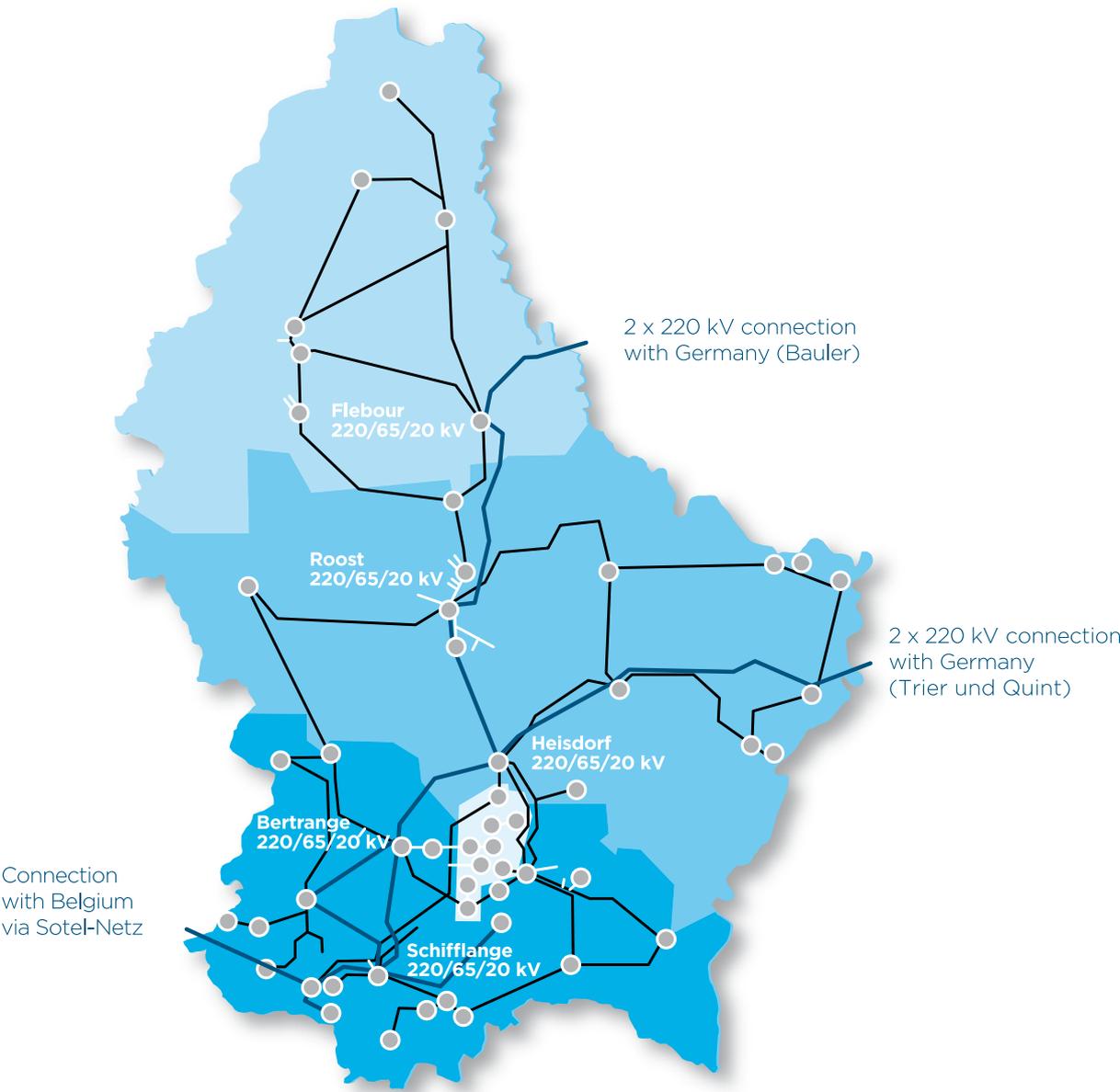
Creos has always been concerned about the harmonious integration of its facilities into the environment. Accordingly, the new **high-voltage** transformer substations are now designed as shielded substations. At the cutting edge of technology, these substations are compact, discrete and surrounded by plantations to seamlessly blend into the environment and the landscape. The surface area used for a shielded substation represents one fifth of the surface area of a traditional exterior substation.

The **medium and low-voltage** substations installed among population centres are today exclusively manufactured in the form of shielded brick, prefab concrete or steel substations, or again directly integrated into a bus stop or inside a building.

Safety

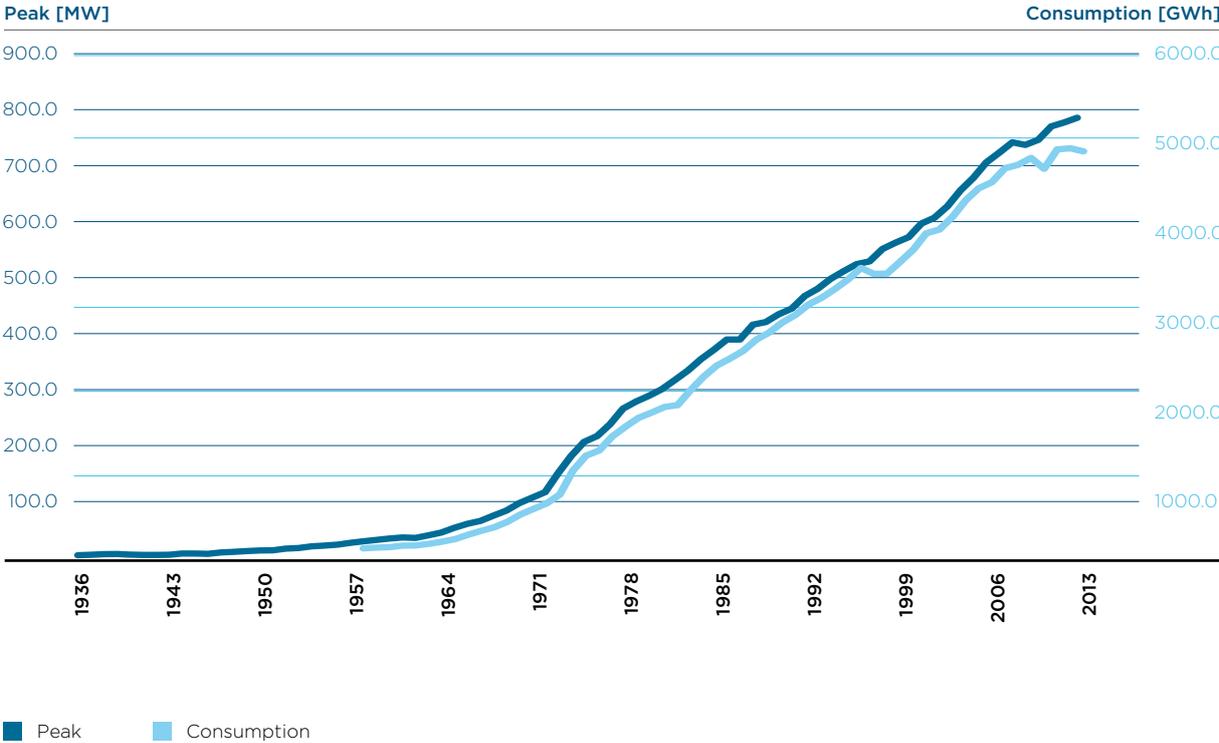
Creos has invested in all the precautionary measures necessary to guarantee optimal protection in case of fire, break-in and bad weather. Accordingly, the premises for the transformer have been sound-proofed and equipped with a waterproof tank to recover any oil leak.

The high-tension electricity network

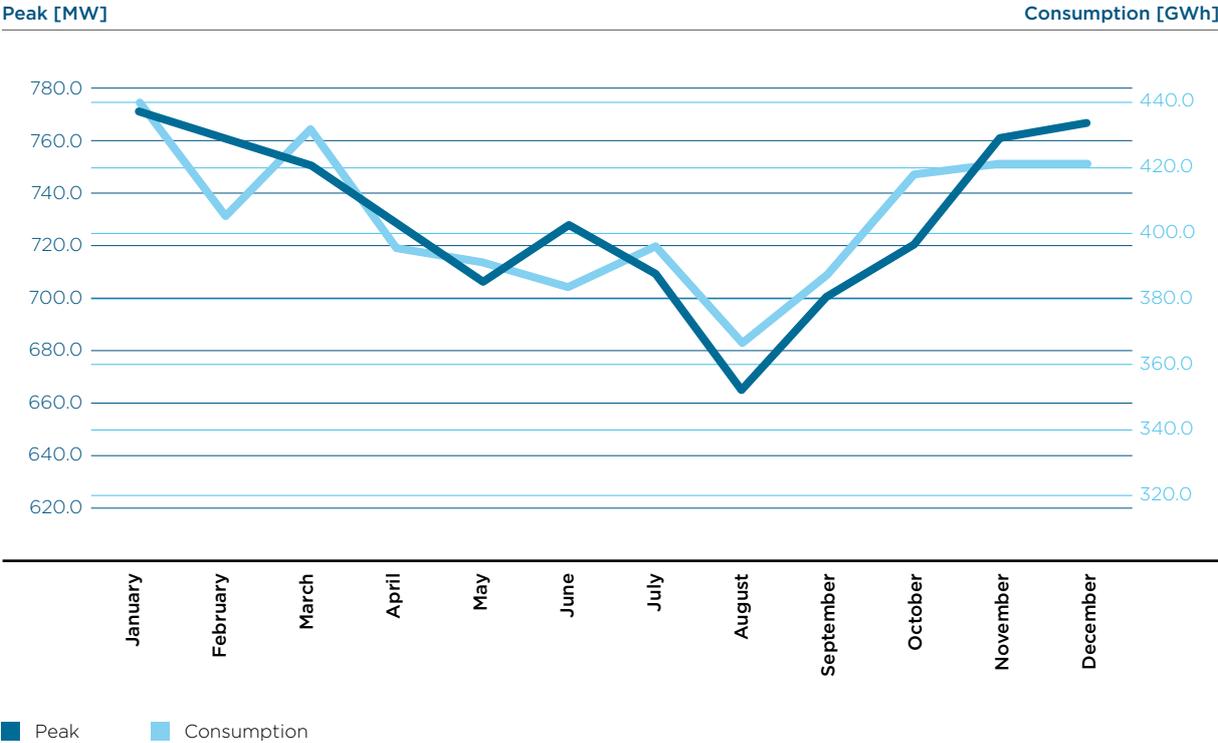


Evolution of the peak and network demand from 1936 to 2013

Grid peak and demand on the network managed by Creos Luxembourg



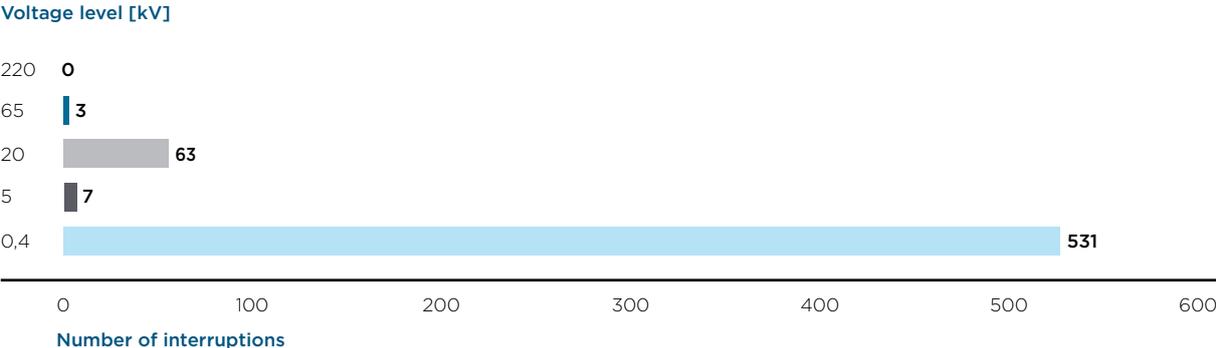
Grid peak and demand in 2013



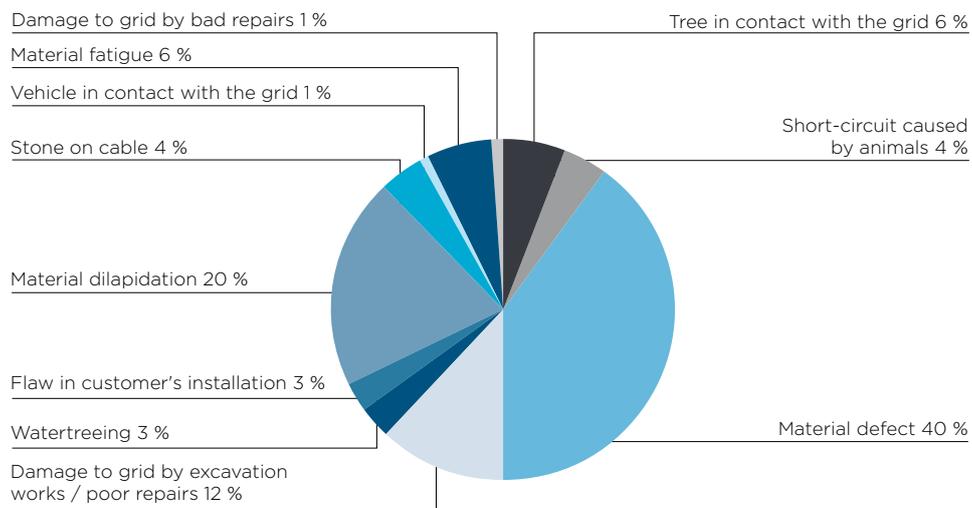
Reliability of the Electricity Grid

Our objective is to provide our customers with a reliable, high-quality electricity grid. We also strive to keep any power supply interruptions and electrical faults to an absolute minimum. The chart below indicates the total number of power supply interruptions.

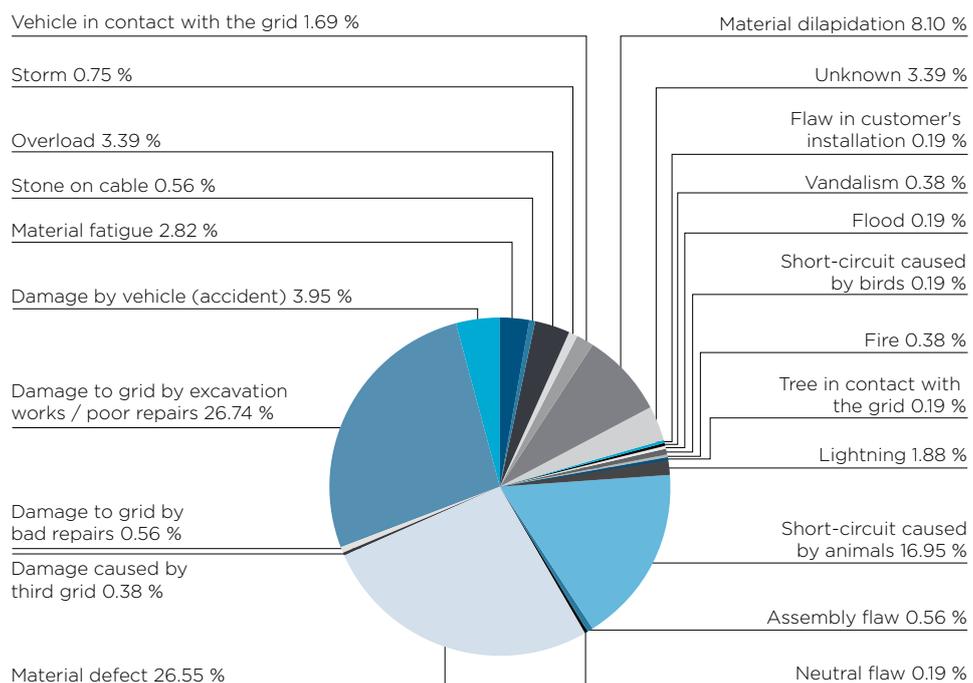
Power supply interruptions on the Creos Luxembourg S.A. network in 2013 (220 kV, 65 kV, 20 kV, 5 kV et 0.4 kV)



Level 20 kV + 5 kV :

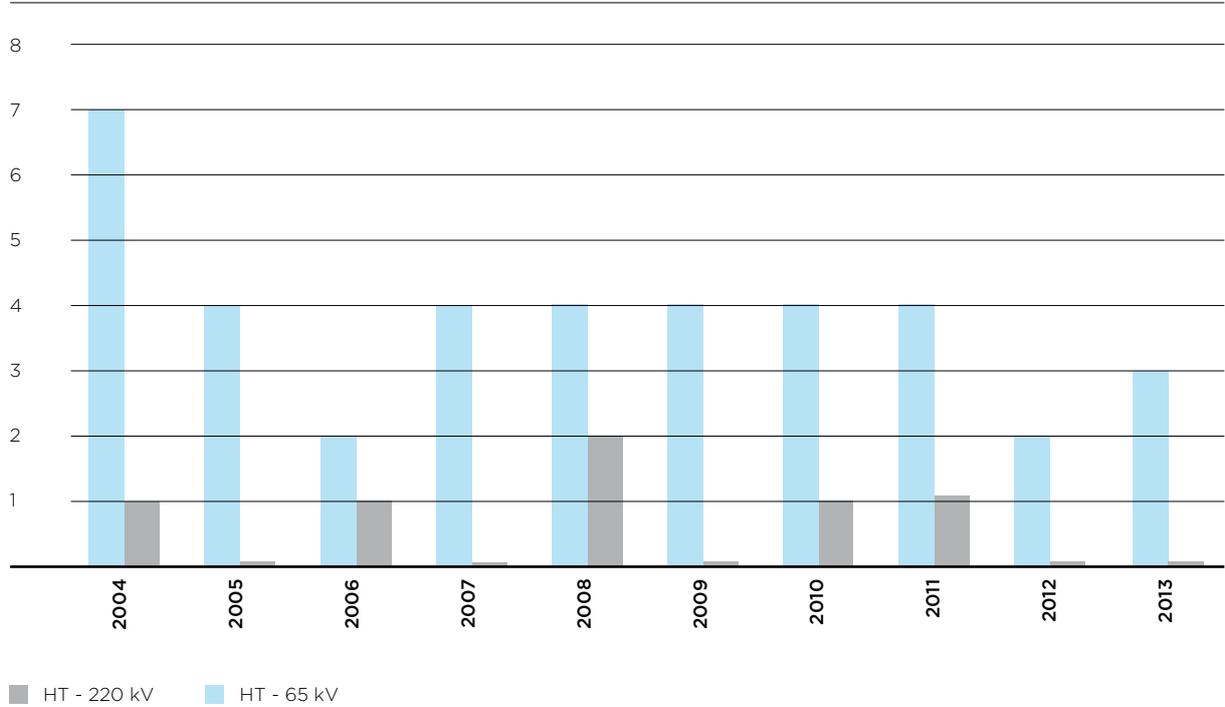


Level 0.4 kV :



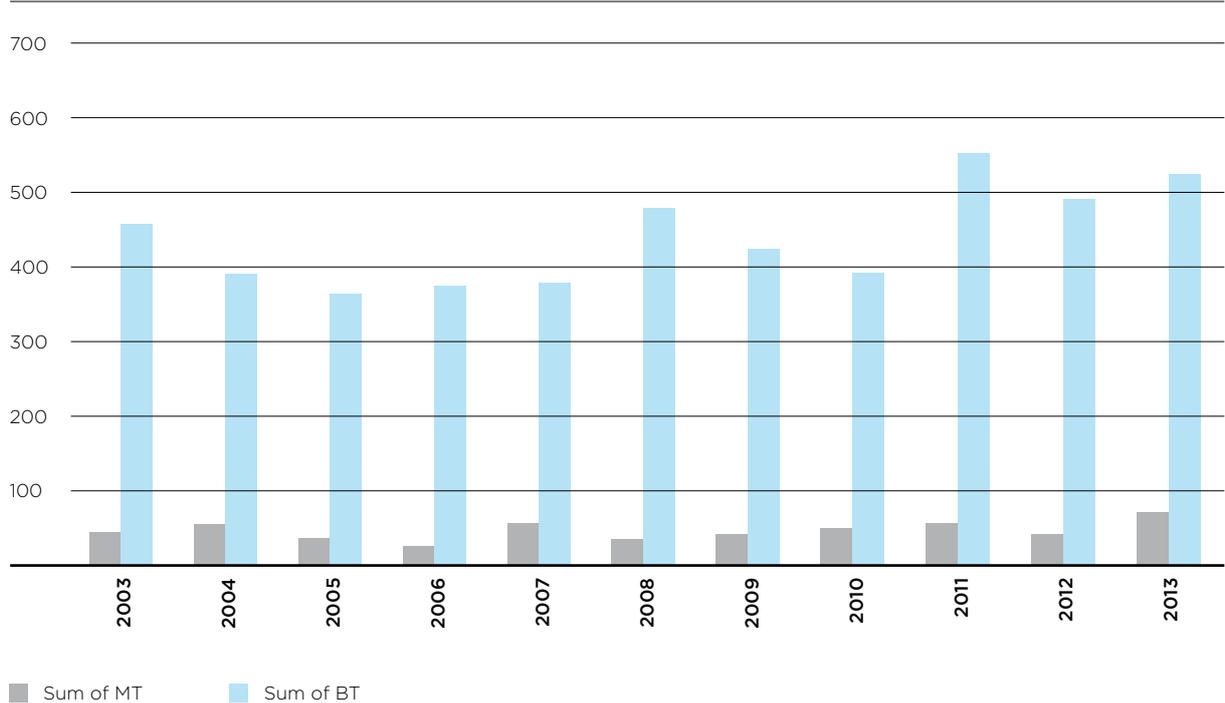
Perceptible interruptions 220 kV and 65 kV (> 3 min) between 2003 and 2013

Number of interruptions



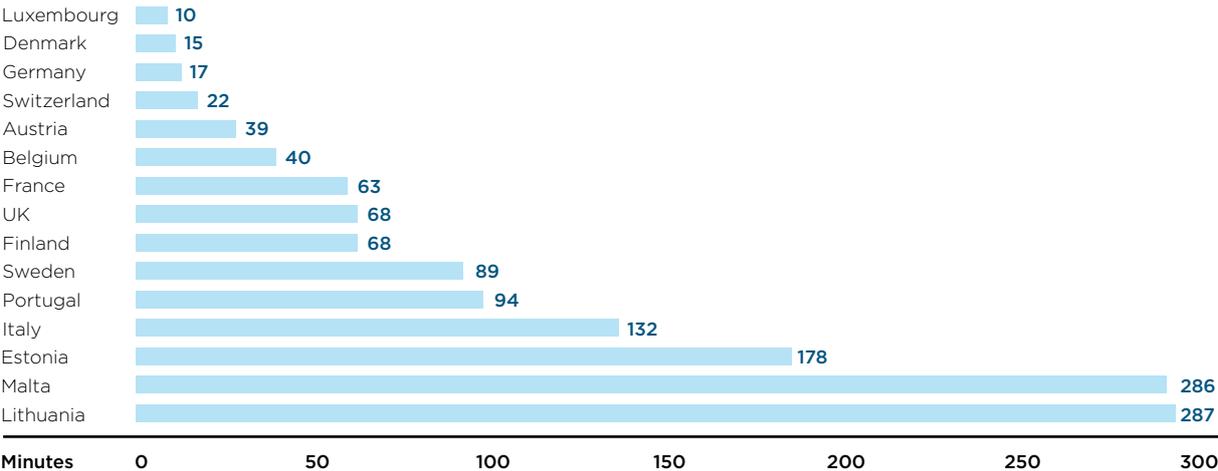
Perceptible interruptions 20 kV and 0.4 kV (> 3 min) between 2003 and 2013

Number of interruptions



Reliability of the electricity networks in an international context

The CEER (The Council of European Energy Regulators) has just published statistics showing that Luxembourg is number 1 in a comparison indicating the average annual power outage time for clients connected to the power grid.



Natural Gas

Planning of networks and interconnections

The primary philosophy of Creos Luxembourg is to guarantee maximum reliability of its infrastructure, therefore all new installations are made in accordance with the most recent DVGW requirements.

All the work and studies seek to ensure that the infrastructure remains in perfect working order, so as to guarantee the continuity and quality of the natural gas supply and to meet the energy demand of our residential customers and a cutting-edge, high technology industry that is very demanding in terms of the quality of supply, while respecting and ensuring the protection of persons and the natural environment.

The Creos network is essentially supplied with natural gas via the pipelines interconnected with Belgium and Germany. The launch of the OPEN SEASON binding phase in March 2013, in close collaboration with our GRTgaz colleagues, reflects our efforts to create additional transmission capacity for our end customers. The result of the Open Season published on 1 July 2013 (Open Season binding phase: 1 March to 10 May 2013) has unfortunately demonstrated that the active suppliers on the Luxembourg market are not ready today to make a long-term commitment to additional cross-border capacity products.

Considering the need to increase capacity at interconnection points in the medium and long-term, in accordance with EU Regulation 994/2010, either by adopting a regional N-1 calculation criterion approach or by constructing a new gas pipeline towards France, Creos is under an obligation to develop an extension strategy that can at least meet regulatory requirements while limiting the impact on usage rates. We therefore analysed multiple scenarios in 2013 (reinforcement of the infrastructure: additional pipeline/integration of neighbouring markets) that may help to meet our obligations with respect to EU Regulation 994/2010.

In particular, following the request made by ILR in May 2013, Creos Luxembourg intensified its work on an integration project by carrying out a detailed feasibility study jointly with Fluxys Belgium, while ensuring close consultation with the other stakeholders, especially the CREG regulator in Belgium. In addition to evaluating the technical and operational feasibility of such an integration, the joint study also showed the implications for natural gas supply in general. Note however that a final decision on whether an integration project will go ahead will be taken during 2014.

Development of the various gas grids

State of progress of the major works included in the 2013 investment programme.

Transmission network

Closing of the Bridel – Rollingergrund network

The increase in natural gas consumption by the City of Luxembourg has for a long time required reinforcement between the Rollingergrund and the high pressure network at Bridel. The work began in September 2013 and the reinforcement of our infrastructure over a distance of 2.5 km is expected to be commissioned by mid-2014. This investment raises the transmission capacity of the HP Creos transmission network and guarantees the security of supply in scenario N-1 of the City of Luxembourg's distribution network. The modifications relating to the safety shut-off systems for the pressure reducing station were implemented in 2012.

Development of the natural gas transport network

PN (nominal pressure)	Change in 2012	Total as at 31.12.13
PN80/67.5	0	212.95 km
PN40	0	50.27 km
PN25	0	2.39 km
PN16	0	34.46 km
PN4	0	120.00 km
Total	0	412.07 km

Pressure-reduction stations on the transport network as at 31.12.2013

Border substations	4
- Active station (with teletransmission capability)	64
- Passive station (without teletransmission capability)	67
Total	135

Distribution network

Extension of the Creos Luxembourg network towards Mertzig / Grosbous in 2013

Creos Luxembourg has just extended its network (d 225 MP) towards the municipality of Mertzig. The commissioning of the distribution networks connected is scheduled for 2014.

The overall project was therefore completed in 3 batches:

Batch no. 1	Creos / SIDEN project: Niederfeulen - Mertzig	L = +/- 2,000 m (2013 activity)
Batch no. 2	Creos project/ crossing of Mertzig	L = +/- 1,900 m
Batch no. 3	Creos / SIDEN project: Mertzig -Grosbous	L = +/- 1,980 m (2013 activity)
		L_{tot} = 6,630 m

As regards distribution, installation work for the low and medium pressure networks in the towns of Bertrange and Windhof is continuing and the Neuhäuschen and Capellen pressure reducing stations were commissioned together with the Häerebjerg connection at Diekirch.

Within the City of Luxembourg, work continues to modernise the network and replace connections. The following were modernised in 2013: 8.4 km of the BP grid and 0.6 km of the MP network and pressure reducing stations.

In total, 32,067 km of distribution pipes were laid in 2013.

The City of Echternach approved the creation of a natural gas network on its territory. Note that the industrial zone of Echternach has already been connected to Creos for several years.



Development of the natural gas distribution network

	2011	2012	2013	Change
Total length (Km)	1,473.31	1,505.52	1,537.59	+ 2.1 %
Supply lines	46,835	48,032	49,384	+ 2.8 %

As of 31 December 2013, Creos had 1,537.56 km of installed pipes in its network, including 1,499.69 km in service and 37.9 km under air pressure.

	Total as at 31.12.13
Installation of medium-pressure and low-pressure (Km)	32,067 km
New supply lines	1,352

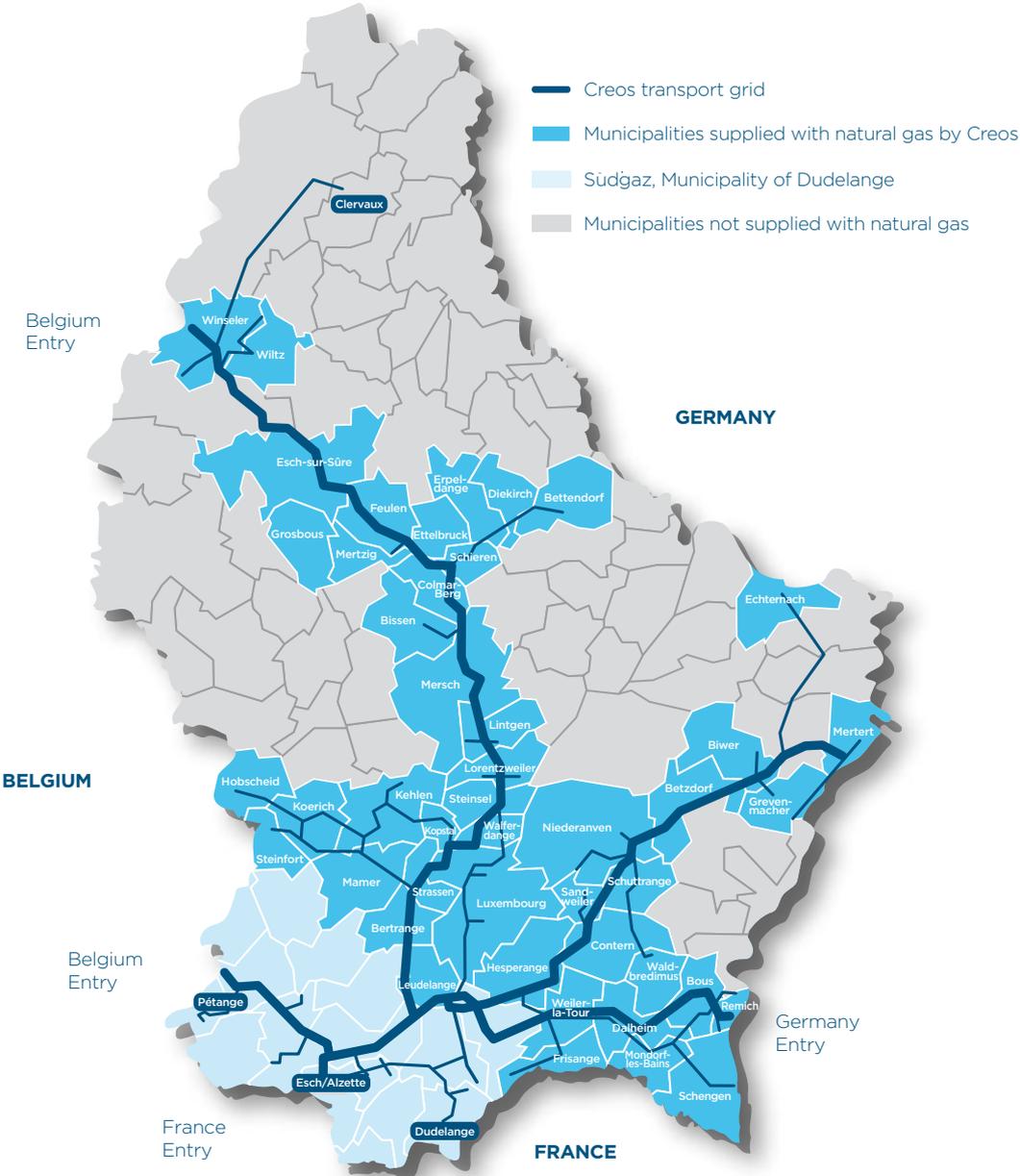
Development of the Creos network peak

Creos constantly monitors the development of volumes transported over its gas network to assess the improvements/investments required over the medium-term and long-term.

Transport activities are subject to the conditions of a service and delivery guarantee. These activities are included in an assessment the key figures of which are set out here:

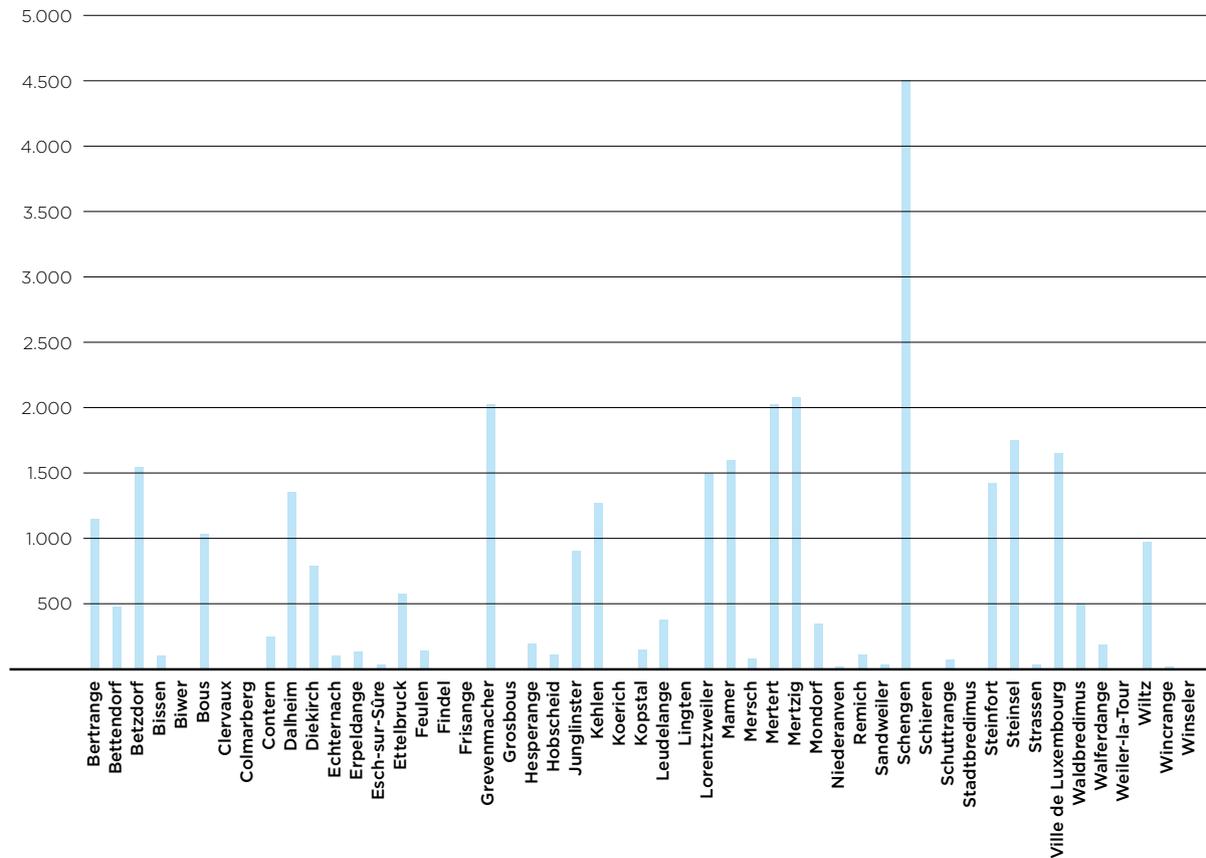
Transport network	2007	2008	2009	2010	2011	2012	2013
Transport network peak (Nm ³ /h)	261,940	251,760	270,996	272,078	259,244	296,550	253,000
Total reserved capacity (Nm ³ /h)	272,680	273,630	275,360	274,500	278,765	287,043	280,000
Total volume transported (GWh / a)	15,880	14,118	14,376	15,459	13,338	13,582	11,500
- Public distribution	4,694	5,123	5,086	5,668	4,829	5,284.8	5,589.9
- Industry	4,971	4,862	4,137	4,567	4,471.7	4,052.8	3,624.5
- Electricity production	6,215	4,134	5,153	5,223	4,036.9	4,244.3	2,285.5

The natural gas network



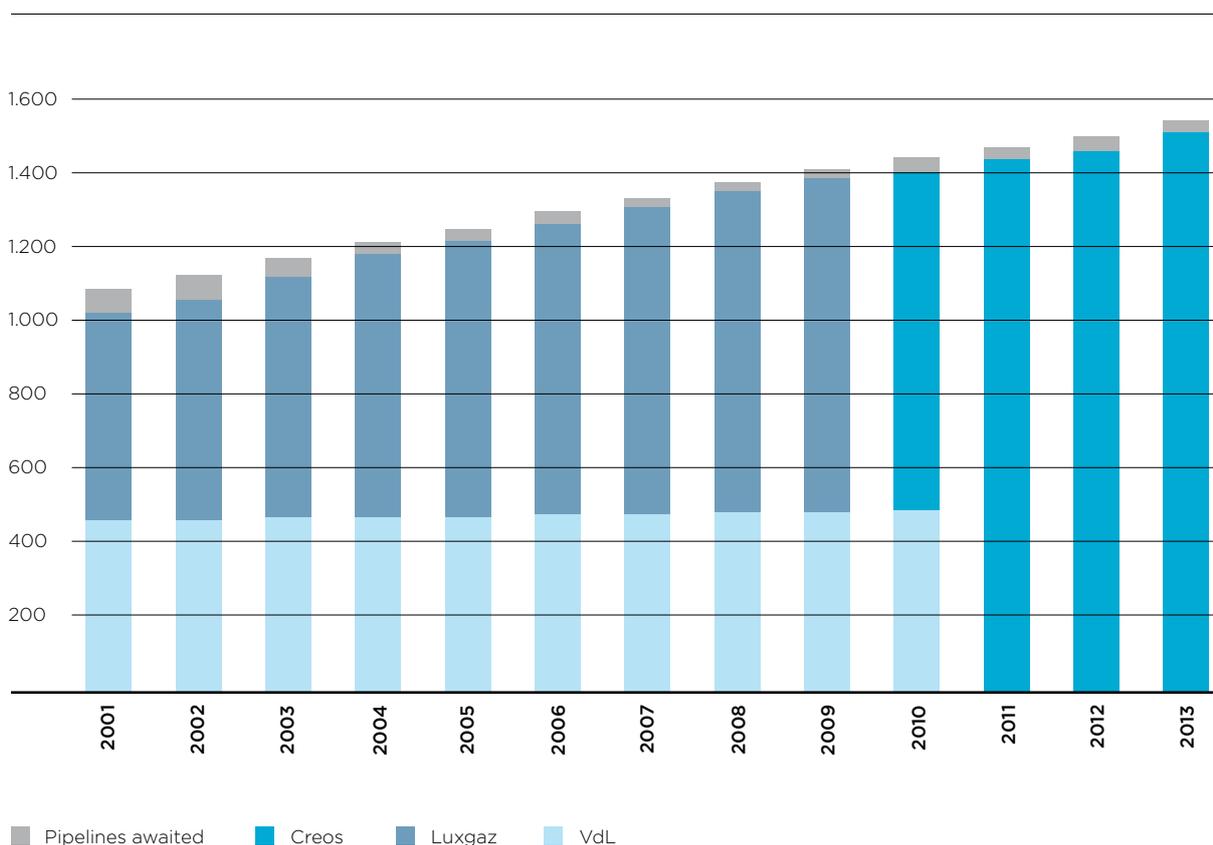
Evolution of the natural gas distribution network

Statistics 2013 - Pipelines installed by Communes



Length of the natural gas distribution network

Pipelines in service





4 Statistics on suppliers and nominations in the electricity sector

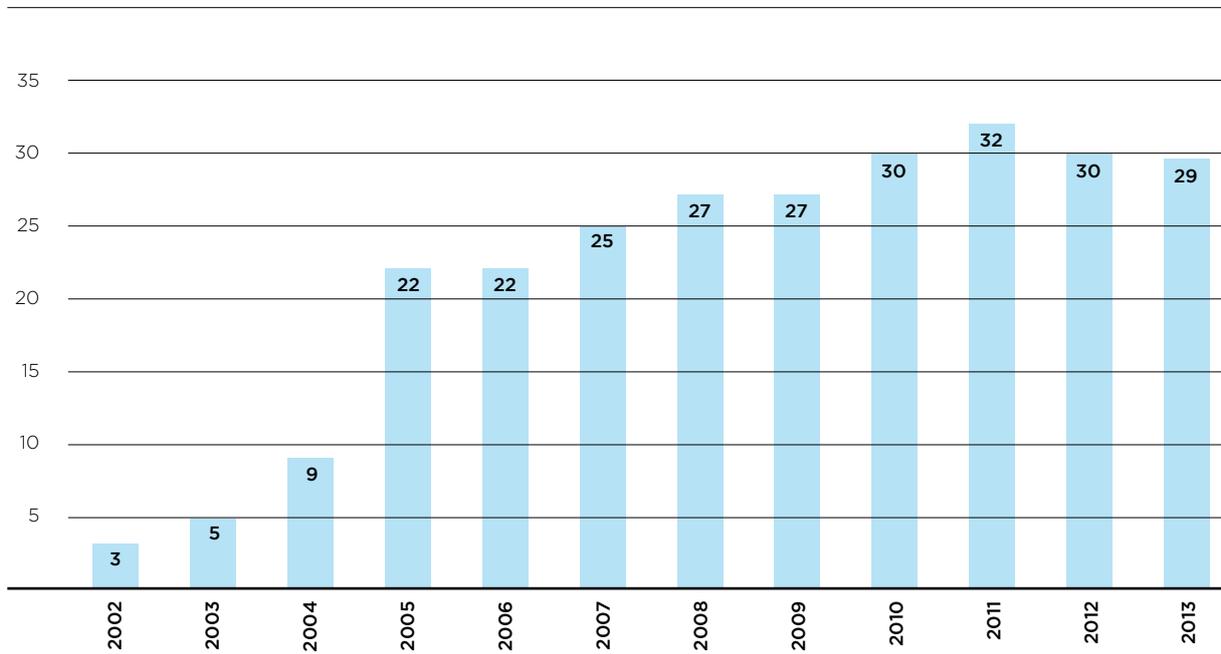
All balance responsible parties must group together their customers in the control area managed by the Luxembourg Creos balance coordinator in a virtual entity known as a "balance perimeter". The balance groups allow the entities responsible for balance to take advantage of having many customers grouped together to whom they can guarantee electricity supply. As the balance coordinator, Creos Luxembourg coordinates energy exchanges between balance perimeters and with neighbouring control areas. Any withdrawals and injections into one or more balance perimeters are carried out by the balance responsible parties. They must estimate the upcoming day's consumption within their balance perimeter on a daily basis, so that adequate supplies can be ensured by exchanging energy with other balance perimeters.

Energy exchanges are the subject of "nominations" which show the exchanges made with other perimeters for every quarter-hour period of the next day.

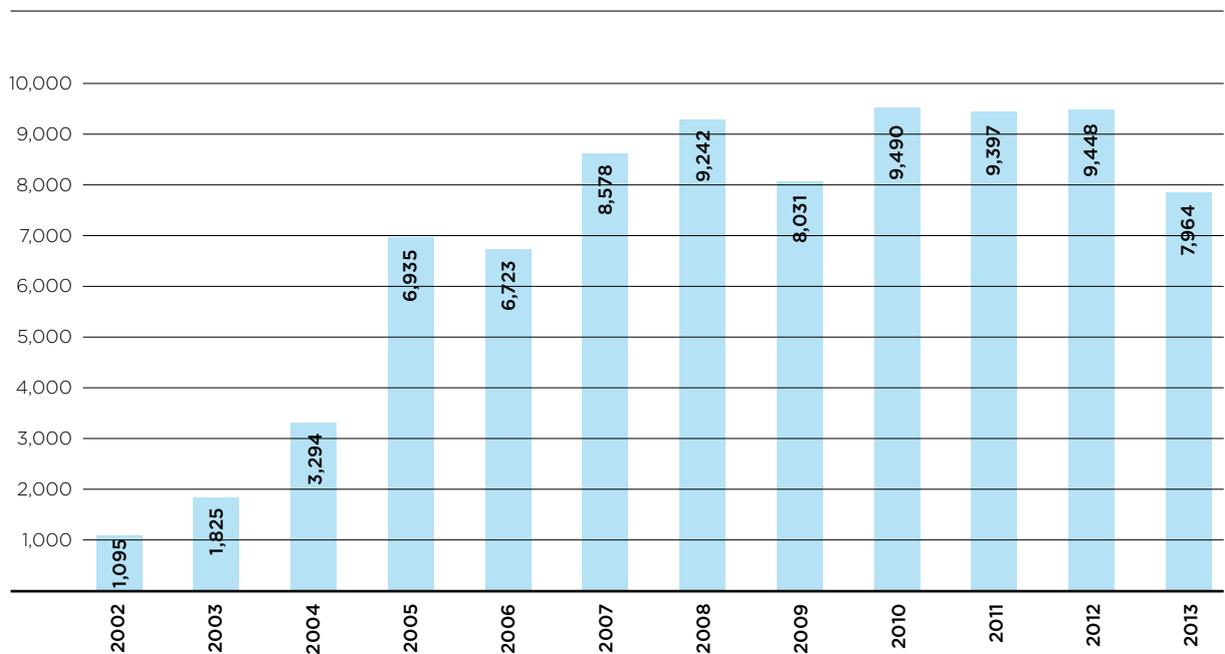
The coordinator settles imbalances between nominations and customers' actual consumption in the control areas by means of balancing energy. The coordinator draws up a monthly balancing statement for each balance group. The related costs are billed to each balance responsible party. There were **29** balance perimeters in 2013. A total of **7,964** nominations were received and processed by the balance coordinator in 2013.



Evolution of the number of balance perimeters



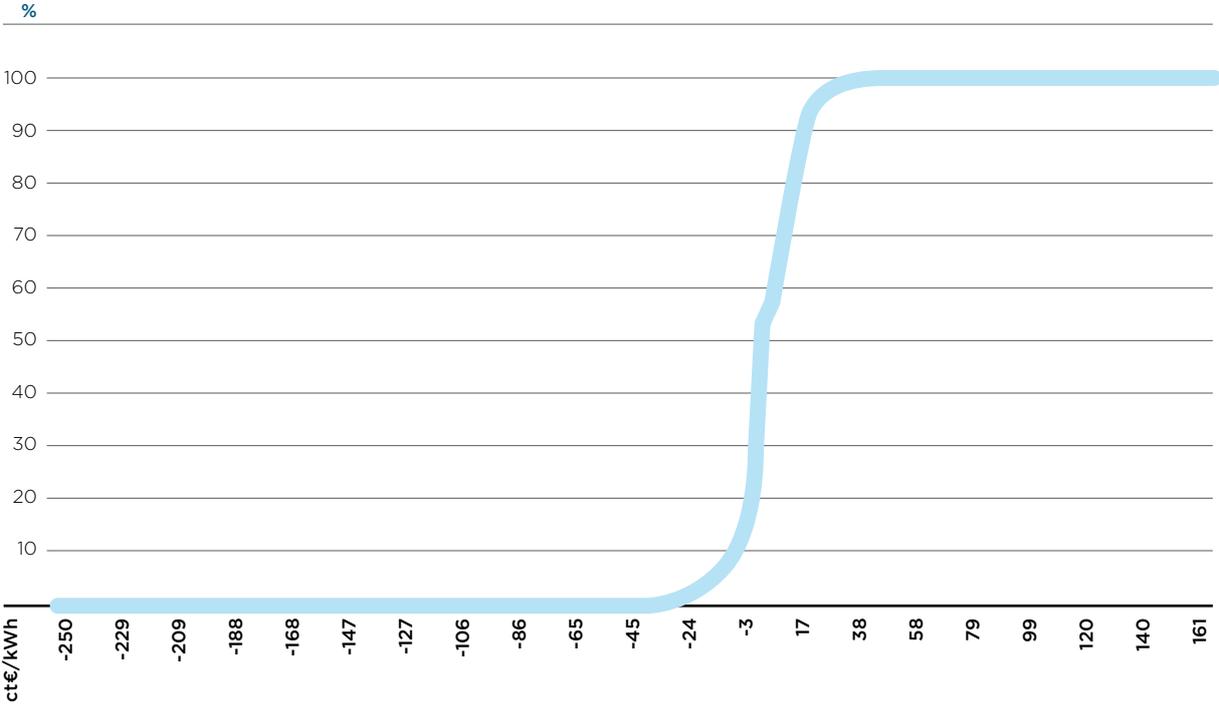
Evolution of the number of nominations



Statistics on the energy price adjustment

The price of balance energy ranged from **EUR cent/kWh -249.84** to **EUR cent/kWh 160.82** in 2013. The maximum price was recorded on **2 November 2013 at 8.15 p.m.** The average balance price was **EUR cent/kWh 3.34**.

Price frequency

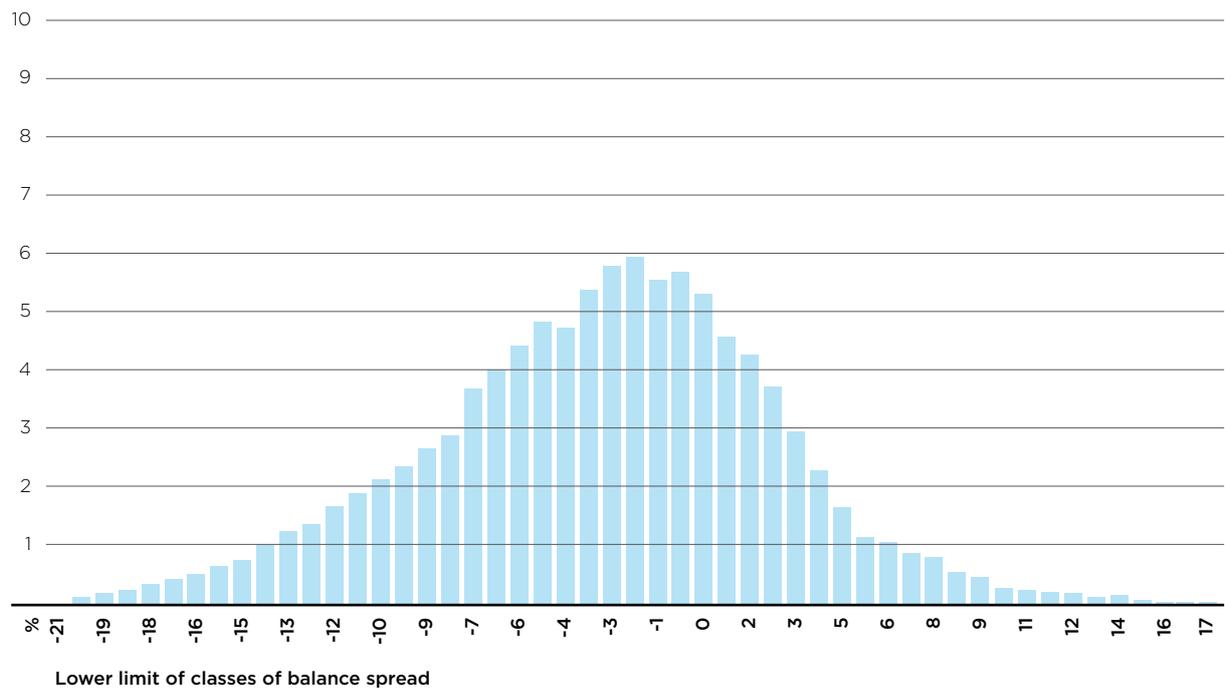


Balancing assessment of the control zone

Cross-border nominations totalled **4,255 GWh** in 2013. Actual measured consumption via cross-border lines amounted to **4,137 GWh** for the same period. Balance energy used to cover imbalances in the control area was therefore **-118 GWh**.

Distribution of balance spreads in 2013

% Effective



In terms of cross-border nominations, the average imbalance was **-2.52 %** and the standard deviation **5.9 %**. The values ranged from a minimum of **-38.7 %** to a maximum of **21.9 %**. The distribution of imbalances shows a trend towards negative imbalances.

5 Smart Metering

The smart meters

In the context of the EU's 20-20-20 energy saving objectives, the Government of Luxembourg has decided to adapt the amended laws of 1 August 2007 relating to the organisation of electricity and natural gas markets. The new laws, which came into force in August 2012, set out the timetable and the general organisation for the deployment of electric meters and gas meters as follows:

- As of 1 July 2015, a smart meter must be used for any new connection and meter replacement (electricity and gas)
- For electricity, >95 % of meters must be replaced by 31 December 2018
- For gas, >95 % of meters must be replaced by 31 December 2020

In addition to establishing this timetable, the law requires the smart metering system implemented to be the same across the country. This system must also be able to cope with other supplies, such as water and heat. Electricity and natural gas network operators Creos, Sudgaz, Sudstrom, Electris, Ville de Diekirch, Ville d'Ettelbruck and Ville de Dudelange will operate this joint system through a common operator under the form of an economic interest group (EIG). The EIG will work with the Institut Luxembourgeois de Régulation (ILR) and the Ministry for the Economy and Foreign Trade to determine the best strategy, as well as the features and services the smart meters must offer.

In 2013, Creos continued to evaluate the different types of meters and data transmission technologies. Accordingly, the PLC pilot projects in Strassen, Buschdorf, Syren and Reckange were joined by the 3rd generation PLC project in Mullendorf in April 2013 and a radio project in Koerich and Goebange in February 2013. The technical evaluation based on reliability and transmission speed allowed a next generation PLC solution to be chosen as the national technology for collecting electricity and gas metering data.

At the same time as the technological assessment, Creos set up a computer project to support the replacement of meters in the field and the detailed planning of the roll-out.

Luxmetering G.I.E.

The Luxmetering G.I.E economic interest group created on 28 November 2012 by the electricity and natural gas network operators Creos, Sudgaz, Sudstrom, Electris, Ville de Diekirch, Ville d'Ettelbruck and Ville de Dudelange, started its activities in March 2013.

It is in charge of setting up and operating the national smart metering remote management platform, according to the law of 7 August 2012 amending the amended law of 1 August 2007 relating to the organisation of the electricity market.

In the context of the project to set up the smart metering national platform, within Luxmetering, the network managers established the terms of reference defining the specifications and exact functionalities of the meters and concentrators as well as the remote management centre for the purpose of the European tender issued in January 2014.

The security analysis performed in the context of the Creos partnership with the Security and Trust department of the University of Luxembourg was included in the terms of reference in order to guarantee an optimum level of data protection.

6 Roost Centre and Workshops

The new Roost site, which will open its doors in Autumn 2014, will bring together the existing regional electricity centres of Heisdorf and Wiltz, the Heisdorf high-voltage service, the Contern regional natural gas centre and the Mersch workshops and central store. The Centre will welcome more than 240 people around the two Creos flagship business lines of electricity and natural gas.

Its primary task will consist of constructing, operating and repairing the electricity and natural gas networks of the Central and Northern regions of the country. It will enhance customer service thanks to its strategic location, which will allow quick access to these regions and guarantee prompt maintenance work where necessary.

The relocation of the different Centres will begin in August and end in September/October of the current year.

The Roost site consists of a 5-storey building integrating the following functions:

- Central store
- Electrical and mechanical workshops
- Administrative offices
- Training room
- External space for storage of equipment
- Parking

In order to meet sustainable development criteria, specific attention has been paid to ensuring the rational use of energy. The building also blends perfectly into the environment with a surface area of 14,300 m² reserved for the outside green areas.



7 Human resources

Change in workforce and key figures

Average workforce for the year was 652 for Creos Luxembourg S.A., including the employees of the City of Luxembourg energy department incorporated as of 1 January 2011. The group is active in the employment market, hiring through both internal and external recruitment. It also takes part in job fairs and attends school and university recruitment events. In 2013, Creos Luxembourg S.A. recruited 31 people on permanent contracts for its departments. Six people also joined the company on fixed-term contracts. The staff turnover rate is less than 2 %.

In 2013, around 3 % of the total staff worked part time.

In total, eight different nationalities are represented at Creos: Luxembourg, French, German, Belgian, Italian, Portuguese, Dutch and Bosnian.

Women account for 6.3 % of the total workforce of the company.

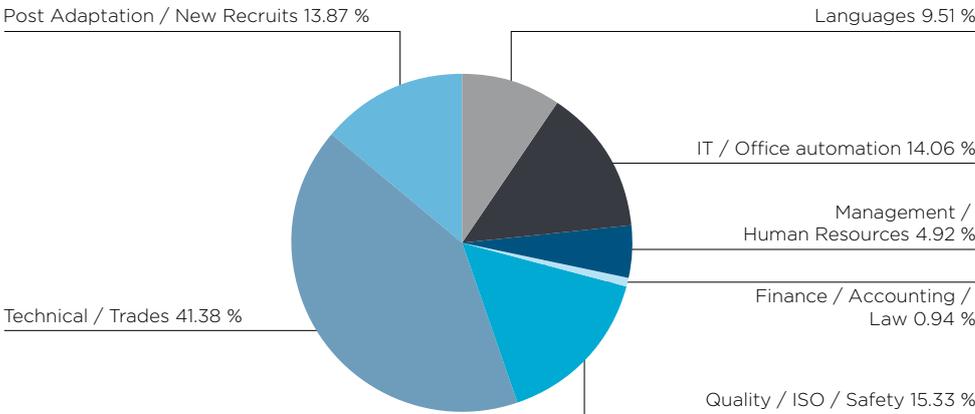
Ongoing professional training

With a view to ensuring the transfer of skills and know-how as part of the integration process, prospective career management and skills planning process, ongoing training is a way of meeting the need for skills in a rapidly changing energy sector. The group's HR strategy remains focused on managing and developing skills. The percentages in the table next page show the investments made in the different macro areas of training. Investment in professional training accounts for 2.52 % of the overall payroll. 34 % of all training was delivered by internal trainers and 66 % by external trainers.

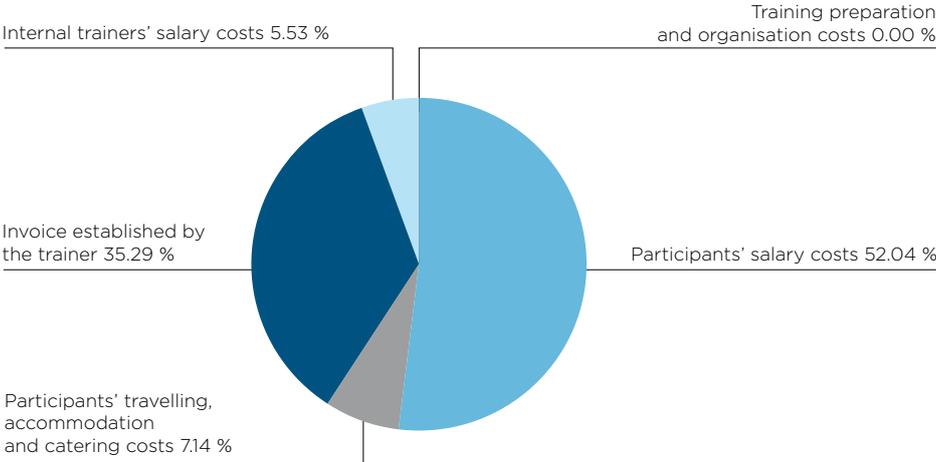
We would like to congratulate and thank all our employees for their commitment and the services delivered throughout 2013, as well as their dedication which allowed our company to reach its goals.



Breakdown of training costs



Breakdown by type of cost



8 Health and safety

In 2013, Creos Luxembourg recorded a total of 58 accidents. Among Creos Luxembourg and City of Luxembourg gas and electricity employees, we recorded 38 minor accidents and 20 accidents resulting in more than three days of inability to work. The leading causes were commuting accidents (40 %), equipment handling and transportation (14 %) and traffic accidents during working hours (excluding commuting) (9 %).

The accident severity rate in 2013 was 0.559 for Creos Luxembourg. The objective of a maximum rate of 0.4 was achieved. The definition of this rate is the ratio between the number of calendar days lost and the total productive hours (worked) multiplied by 1,000. The electrician and gas installer professions carry certain risks. In order not to expose our employees to risks that could lead to industrial accidents, the HSE department of Creos Luxembourg regularly organises training courses entitled "Schaltberechtigung" in the electricity field and "Sachkundiger" in the gas field. In 2013, Creos delivered 18 "Schaltberechtigung" certificates and 14 "Sachkundiger" certificates to our employees and those of the City of Luxembourg who work for us.

In order to reduce the large number of commuting accidents and traffic accidents during working hours recorded in recent years, Creos Luxembourg decided to take part in the "Trajet, Sécurisons-le" road safety awareness campaign launched by the UEL (Luxembourg Business Association) together with national entities involved in the prevention of traffic accidents. The awareness campaign was presented at the work safety conferences in 2012 and 2013.





9 Creos Deutschland GmbH

Key figures

	2012	2013
Gas transport (GWh)	28,225	29,493
Revenues (MEUR)	74.8	78.5
EBITDA (MEUR)	21.8	19.2
EBIT (MEUR)	16.5	14.0
Profit for the year (MEUR)	11.3	8.2
Workforce	100	101
Investments (MEUR)	14.8	11.4

In 2013, Creos Deutschland GmbH was restructured in order to separate the regulated activities from the unregulated ones. Creos Deutschland GmbH first became a holding company renamed Creos Deutschland Holding GmbH, then the grid activities and the service activities were transferred to two separate entities, Creos Deutschland GmbH and Creos Deutschland Services GmbH.

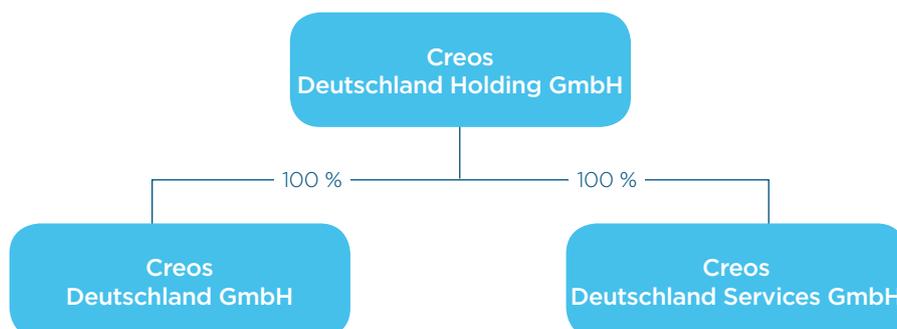
The reorganisation has been implemented with retroactive effect from 1 January 2013. Creos Deutschland GmbH employs over 100 people and is a direct subsidiary of Creos Deutschland Holding GmbH.

It is based in Saarbrücken, with operating sites in Völklingen, Homburg and Frankenthal. Its core function is the management of natural gas networks. Thanks to its employees' technological, commercial and legal expertise, Creos Deutschland GmbH can guarantee the supply of natural gas to the Saarland and Rhineland-Palatinate via its own high-pressure gas network measuring nearly 1,700 km.

Current situation

Net profit for the year 2013 amounts to MEUR 8.2 (2012 : 11.3 MEUR)

Structure of Creos Deutschland









III. Management Report of the Board

1 Grid Activities

The electricity and natural gas networks - a regulated activity

Energy market organisation provides a strict separation of regulated activities (infrastructure management) and non-regulated activities like production, sale and purchase, open to competition.

The principle is that infrastructures should remain a natural monopoly, but accessible to all suppliers under transparent and non-discriminatory conditions. In the Enovos Group, Creos Luxembourg S.A. is in charge of the network management including planning, building and maintenance of electric and gas infrastructures.

Network access is organised and supervised by a regulator, in this case the Luxembourg Institute of Regulation (ILR). It is this independent body which for instance approves network access tariffs, "tolls" invoiced to all users of our networks. The regulator's task in particular is to ensure non-discrimination, effective competition and the efficient operation of the markets.

These tariffs are published yearly on our Internet site at www.creos.net, whilst more detailed information on the role and activities of the regulator are to be found at www.ilr.lu.

The framework for the organisation of energy markets as well as the function of the Institute as market regulator have been defined more precisely by the Laws on electricity and gas markets dated 7th August 2012, based on the 3rd European energy package.

Until 2012, network access tariffs had been defined on the basis of a "rate of return regulation" approach ensuring a certain financial return on investments made in networks. Since 2013 a new approach to the calculation of tolls is in place, based on the principle of capping controllable operational charges. Furthermore, the remuneration rates for invested capital have been revised downwards by approximately 10 %.

This new approach following the principle of "incentive regulation" leaves an advantage to network managers if operational costs are limited so as to remain below the amounts resulting from indexation defined by the regulator, but with the risk of losses in the opposite case. This new method is applicable for a regulation period from 2013 to 2016. As a consequence, significant work has been performed within Creos Luxembourg S.A. in order to adapt its procedures to the new methodology.

Security of supply

A safe and reliable energy transport and distribution infrastructure is a key element to guarantee the well-being of citizens and the sustainable development of a country's economy. That is why Creos Luxembourg S.A. invests all its efforts in designing future electricity and gas networks to achieve a long-term guarantee of the current level of availability and security of supply.

Electricity

In coming years, Luxembourg will have to deal with major changes in the transport and distribution of electricity. The development of renewable

energies, new sectors such as heat pumps and electro-mobility as well as demographic evolution in Luxembourg challenge Creos Luxembourg S.A. to develop additional capacities vis-à-vis neighbouring countries in order to cover electricity demand requirements by 2020 and 2030.

At a European level, the European Commission has stated the need to progress to a level of integration of the electricity markets and the development of renewable energies. This strategic orientation combined with political decision in some member states to cease nuclear production of electricity and the growing share of renewables obliges grid managers to adapt their networks accordingly. Major investments in networks are necessary to meet the challenges of restructuring the energy sector in Europe, electricity being considered as the backbone of a clean and competitive EU economy.

That is why Creos Luxembourg S.A. has collaborated with the managers of adjacent networks to continue studies dedicated to additional interconnection mainly with Belgium. These studies include the analysis of the impact of a new interconnector on network security and market integration. The challenge is to manage this new transit interconnection in collaboration with neighbouring operators while maintaining a guaranteed capacity for Luxembourg. In this context, a Memorandum of Understanding has been signed with the Belgian grid operator Elia and final decisions on the interconnection investments are expected in 2014.

Natural gas

Within the context of the diversification of the supply of natural gas in Luxembourg and the integration of the energy markets, as recommended by the European Commission, Creos Luxembourg S.A. had launched in 2010 a market consultation to consider the interest in additional capacity from France to Luxembourg. This new interconnection point would be added to those from Germany and Belgium, now offering three supply routes to local markets and increasing the country's security of supply. The launch of the committal standardised Open Season procedure was launched in 2013 and showed little interest for suppliers. Accordingly, this project is on hold at this moment.

On the other hand, discussions on an integration of gas markets continued with the Belgian gas grid operator Fluxys in 2013. Those works confirmed the feasibility of a BeLux market integration with the objective of an improved market functioning and improved security of supply for Luxembourg. Final decisions in this respect are foreseen in 2014.

Non-discriminatory treatment of customers

The Laws of 7th August 2012 amending the Laws of 1st August 2007 on the organisation of the energy markets require that the network manager, part of a vertically integrated organisation, respects certain criteria guaranteeing the independence of its management activity vis-à-vis other group activities such as the production and/or supply of electricity and natural gas. The management is asked to establish and monitor a programme containing the appropriate measures to exclude any discriminatory practice in the treatment of different network users.

Within Creos Luxembourg S.A., the legal department has been designated as the department responsible for monitoring the non-discrimination programme. This programme determines all the measures necessary to guarantee the non-discriminatory and confidential treatment of data and the obligations of the personnel of Creos Luxembourg S.A., responsible for network management tasks. The persons in charge of this monitoring within the legal department of Enovos International have been transferred as of 1st January 2013 to Creos Luxembourg S.A., according to unbundling obligations of the 3rd EU energy package.

The development of “smart grids”

The Laws of 7th August 2012, based on a 2009 European Directive, require the installation, for all users, of so-called “smart energy meters”. The smart meter is an electronic device capable of measuring energy consumption, adding more information than a conventional meter, and capable of transmitting data using electronic means of communication. A key characteristic of the smart meter is its ability to communicate in both

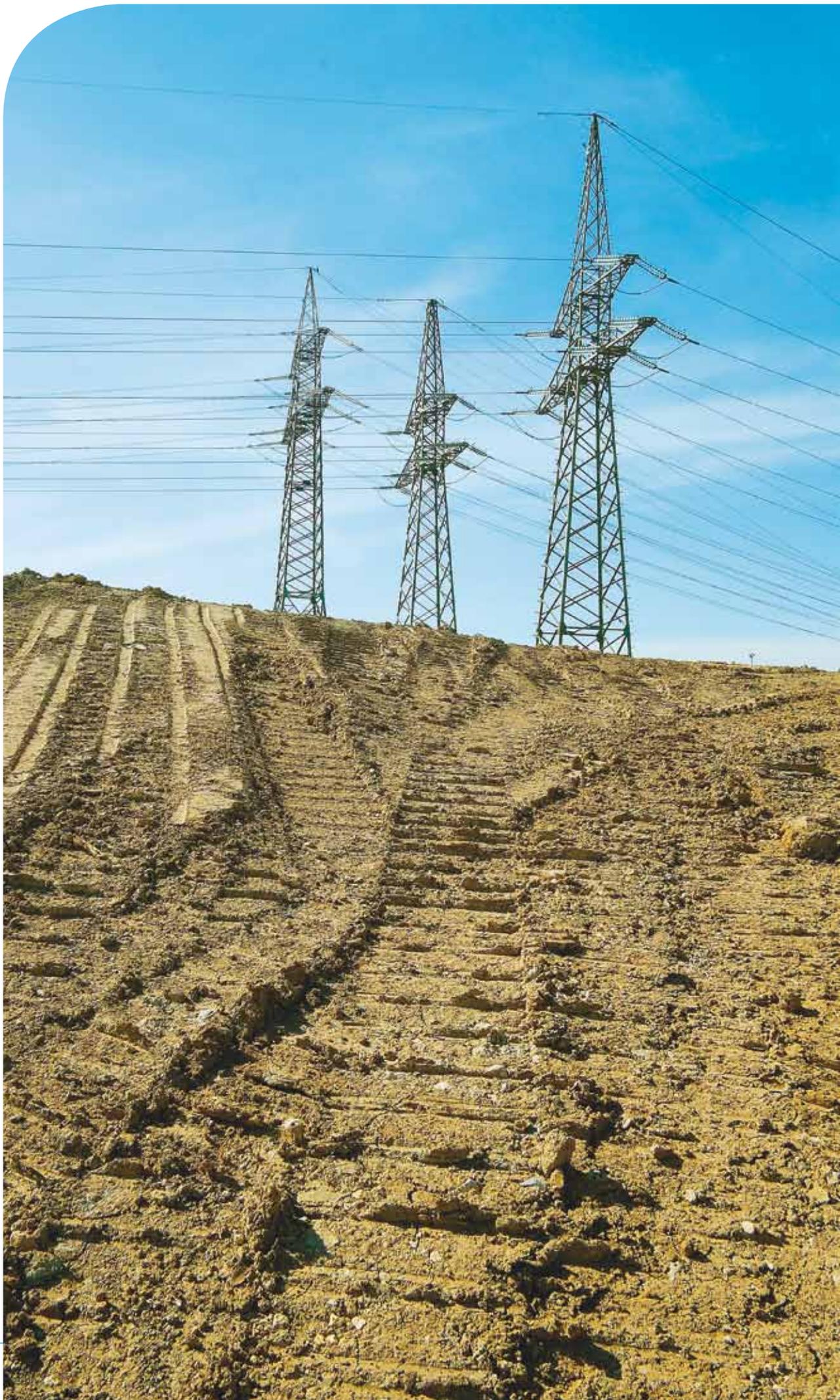
directions between the consumer and network managers or suppliers. It should also promote services facilitating energy management by the consumer.

The smart meter is the key element to allow two further steps in the future: it gives a better knowledge on the flows in the grid at all tension levels, allowing a better integration of electricity production from volatile renewable and decentralised energy sources (trend to “smart grid”) as well as new services to customers as far as household appliances and demand side management are concerned (trend to “smart home”).

Creos Luxembourg S.A. has tested several types of meters and communication technologies (“PLC” or power line carrier, radio frequency and fibre optics). It appears that “PLC” would be the best communication technology, combined with fibre optics to transmit the data to a central system operated by Luxmetering, a joint venture created by all Luxembourg grid operators to develop a common and unique platform in Luxembourg for smart meters. A large-scale test is planned for 2014 with general roll-out to start in 2015. It is planned to replace all electric and gas meters in Luxembourg by 2020.

Investment activities

Some 125 MEUR have been invested in 2013, mainly in the electricity grids. As a consequence of the above mentioned trends and objectives, the amount of Capex is foreseen to remain at a high level in the next years with an average value of some 110 MEUR per year in the period from 2014 to 2018.



2 Financial Results

Profit and loss account

Net turnover reached EUR 202,518,546 in 2013 (EUR 191,359,462 in 2012). Increase in net turnover (see note 17) is mainly due to the increase of electricity grid sales following grid tariff increases applied since January 2013 and the impact of balancing energy sales (with no impact on EBITDA as compensated by purchases for the same amount). On the other hand, sales to third parties have decreased compared to last year.

The current operating result (EBITDA) was EUR 111,564,071 in 2013 (EUR 92,757,688 in 2012). Its increase is linked to cost savings and higher own work capitalized due to a stronger investment activity.

Profit for the financial year was EUR 64,242,369 (EUR 50,536,216 in 2012). It includes a dividend received from Creos Deutschland of EUR 8,912,960 (EUR 7,168,780 in 2012).

Balance sheet

The total balance sheet increased from EUR 645,600,265 to EUR 760,982,961 i.e. an increase of EUR 115,382,696 as following:

The total intangible fixed assets and tangible fixed assets increased by EUR 79,178,412 as a consequence of the CAPEX plan realized in 2013 for a total amount of EUR 123,785,004 decreased by EUR 44,606,592 from the value adjustments.

Amounts owed by affiliated undertakings increased from the improved cash pooling situation of EUR 36,985,728 due to the proceeds from the German Certificate of Indebtedness ("Schuldschein") of EUR 65,000,000 provided by Enovos International with an average tenor of 10 years and which are not yet fully invested.

There has been no change in subscribed capital of the company since the Extraordinary Meeting of Shareholders held on 6 January 2011 which approved the contribution of the gas and electricity networks of the City of Luxembourg to Creos Luxembourg S.A. with the issue of new shares. The subscribed capital amounts to EUR 198,851,260 and the share premium to EUR 189,562,253.

Risk management objectives and policies

The main risks the company has to manage are accidents to people (internal and third parties) and network damage in certain climatic events.

Proposed appropriation of net profit

The profit available for appropriation of EUR 77,518,927 includes the net profit for the year of EUR 64,242,369, the reversal of the blocked reserve (wealth tax) of EUR 9,500,000 and the profit brought forward of EUR 3,776,558.

The Board of Directors proposes to the Annual Shareholder's Meeting to be held on 13th May 2014 the following appropriation of net profit:

Dividend of 3 euros per share *	29,812,554
Allocation to the blocked reserve	11,350,000
Allocation to other reserve	30,000,000
Amount carried forward	6,356,373
	77,518,927

* Number of shares: 9,937,518 (total shares issued of 9,942,563 minus 5,045 own shares)



3 Outlook

Creos Luxembourg S.A. will continue in 2014 and following years to implement a significant plan for investment and maintenance to modernize its networks in order to ensure their safety and reliability. The company will also actively prepare the introduction of so-called “smart” meters and “smart” grids.

Since 1st January 2013, a new “incentive” regulation is in force for a first application period until 2016, according to the ILR regulations E/12/05 (electricity) and E/12/06 (gas) as of 22 March 2012.

At this stage, the company does not foresee any technical or financial development likely to raise issues on its economic or financial situation.

Luxembourg, 13th March 2014



4 Board of Directors of Creos Luxembourg S.A.

To replace Mr Guy Arend, who has resigned, and in accordance with article 51 of the consolidated text of the Companies Act dated 10 August 1915, the amending Acts and Article 22.1 of the Statutes, the board members met on 28 November 2013 to co-opt Ms Anne Van Goethem onto the Board of Directors for the outstanding term of her predecessor's mandate. You are invited to confirm this provisional nomination, which remains subject to your approval.

To replace Mr François Thoumsin, who has resigned, and in accordance with article 51 of the consolidated text of the Companies Act dated 10 August 1915, the amending Acts and Article 22.1 of the Statutes, the board members met on 28 November 2013 to co-opt Mr Mark Lauwers onto the Board of Directors for the outstanding term of his predecessor's mandate. You are invited to confirm this provisional nomination, which remains subject to your approval.

The terms of office of Christiane Schaul, Anne Van Goethem, Romain Becker, Fernand Felzinger, Manfred Fess, Benoît Gaillochet, Mario Grotz, Stephan Kamphues, Thierry Kuffer, Mark Lauwers, Marc Leonhard, Roland Michel, Georges Molitor, Alain Nicolai and Jean Schiltz (VdL) are set to expire. We will submit a proposal to you on this matter.

5 Auditor

PricewaterhouseCoopers (PwC) have been appointed auditors for the financial years 2012 to 2014.

Luxembourg, 13th March 2014
The Board of Directors





IV. Annual Accounts

1 Balance Sheet as at 31st December 2013

ASSETS	Notes	2013	2012
Fixed assets		€	€
Intangible assets	note 4		
Concessions, patents, licences and trademarks and similar rights and assets, if they were			
a) acquired for valuable consideration		3,106,208	1,161,925
Tangible assets	note 5		
Land and buildings		39,993,218	40,861,977
Plant and machinery		407,684,370	379,172,857
Other fixtures and fittings, tools and equipment		2,004,792	2,905,226
Payments on account and tangible assets in course of construction		143,813,825	93,322,016
Financial assets	note 6		
Shares in affiliated undertakings		42,000,000	42,000,000
Shares in undertakings with which the company is linked by virtue of participating interests		530,000	430,000
Own shares or own corporate units		469,595	469,595
Total Fixed Assets		639,602,008	560,323,596
Current assets			
Stocks			
Raw materials and consumables		5,465,956	4,501,731
Work and contracts in progress		10,555,595	9,327,684
Debtors			
Trade receivables	note 7		
a) becoming due and payable after less than one year		7,551,627	15,934,145
Amounts owed by affiliated undertakings			
a) becoming due and payable after less than one year	note 8	58,548,385	22,903,922
b) becoming due and payable after more than one year		0	503,793
Amounts owed by undertakings with which the company is linked by virtue of participating interests			
a) becoming due and payable after less than one year		299,019	506,801
Other receivables			
a) becoming due and payable after less than one year	note 9	35,201,463	26,687,391
Cash at bank and in hand		163,750	645,249
Total Current Assets		117,785,795	81,010,717
Prepayments	note 10	3,595,158	4,265,952
Total Assets		760,982,961	645,600,265

The accompanying notes form an integral part of the annual accounts.

LIABILITIES	Notes	2013	2012
Capital and reserves	note 11	€	€
Subscribed capital		198,851,260	198,851,260
Share premium and similar premiums		189,562,253	189,562,253
Reserves			
Legal reserve		19,885,126	18,343,961
Reserve for own shares		469,595	469,595
Other reserves		90,660,405	67,830,405
Profit brought forward		3,776,558	7,424,061
Result for the financial year		64,242,369	50,536,216
Total Capital and reserves		567,447,566	533,017,751
Provisions			
Provisions for pensions and similar obligations	note 12.1	31,170,966	32,358,683
Other provisions	note 12.2	3,824,897	2,478,966
Total Provisions		34,995,863	34,837,650
Non Subordinated debts			
Payments received on account of orders in so far as they are not shown separately as deductions from stocks			
a) becoming due and payable after less than one year		8,919,863	8,807,765
Trade creditors			
a) becoming due and payable after less than one year		33,725,837	24,826,566
Amounts owed to affiliated undertakings			
a) becoming due and payable after less than one year	note 13	16,685,523	10,108,260
b) becoming due and payable after more than one year	note 13	65,000,000	0
Amounts owed to undertakings with which the company is linked by virtue of participating interests			
a) becoming due and payable after less than one year		3,930	3,952
Tax and social security debts			
a) tax debts	note 16	10,200,591	13,034,913
b) social security debts		2,382,280	2,275,373
Other creditors			
a) becoming due and payable after less than one year		953,661	530,593
Total Non Subordinated debts		137,871,685	59,587,422
Deferred income	note 10	20,667,847	18,157,441
Total Liabilities		760,982,961	645,600,265

The accompanying notes form an integral part of the annual accounts.

2 Profit and Loss account from 1 January to 31 December 2013

CHARGES	Notes	2013	2012
		€	€
Raw materials and consumables		23,696,246	25,927,238
Other external charges		36,660,217	36,994,495
Staff costs	note 14		
a) Wages and salaries		54,082,090	51,901,093
b) Social security costs		5,377,836	5,147,730
c) Social security costs relating to pensions		1,592,325	3,201,041
Value adjustments			
a) on formation expenses and on tangible and intangible fixed assets	notes 4, 5	44,606,592	42,850,632
b) on elements of current assets		65,114	18,763
Interest payable and similar charges			
a) concerning affiliated undertakings		834,440	0
b) other interest payable and similar charges		18,076	21,406
Extraordinary charges	note 15	0	10,316,002
Income tax	note 16	11,040,358	6,766,156
Other taxes not included in the previous caption		0	115,121
Profit for the financial year		64,242,369	50,536,216
Total Charges		242,215,663	233,795,891

INCOME	Notes	2013	2012
		€	€
Net turnover	note 17	202,518,546	191,359,462
Fixed assets under development	note 5	30,162,104	23,746,627
Reversal of value adjustments			
a) on elements of current assets	notes 7, 15	0	3,666,360
Other operating income		357,248	295,135
Income from financial fixed assets			
a) derived from affiliated undertakings	note 18	8,912,537	7,168,780
Other interest and other financial income			
a) derived from affiliated undertakings		12,514	87,578
b) other interest receivable and similar income		252,714	171,949
Extraordinary income	note 15	0	7,300,000
Total Income		242,215,663	233,795,891

The accompanying notes form an integral part of the annual accounts.

3 Notes to the Annual Accounts

Note 1 - General information

Creos Luxembourg S.A. (“the Company”) was incorporated in Luxembourg under the name of Cegedel S.A. on 25th April 1928. The Company is registered under RCS nr. B4513. In the context of the below described operations, the Company has been renamed Creos Luxembourg S.A. in 2009.

Following a business combination in 2009 of the grid activities of Cegedel S.A. and Soteg S.A., the integration of the grid activities of Luxgaz Distribution S.A. in 2010 and the integration of the grid activities of the City of Luxembourg in 2011, the main activities of Creos Luxembourg S.A. are to operate in Luxembourg electricity and gas transport and distribution networks. Creos Luxembourg S.A. holds a 96.88 % participation in Creos Deutschland Holding GmbH, which owns a 100 % participation in Creos Deutschland GmbH, a result of the merger in 2009 of Saar Ferngas Transport GmbH in Germany with the network activities of Saar Ferngas AG.

The registered office of the Company is established in Luxembourg.

The regulated activities are under the supervision of a Regulator, namely the “Institut Luxembourgeois de Régulation” (“ILR”).

Annual accounts

The Company's financial year runs from 1st January to 31st December each year. Creos Luxembourg S.A. accounts are consolidated into the Enovos International S.A. financial statements, forming at once the largest and the smallest body of undertaking of which the Company forms a part as a subsidiary undertaking. Enovos International S.A. is established in Esch-sur-Alzette.

Note 2 - Authorizations

Following the two European directives 2009/72 and 73 of 13th July 2009 concerning common rules for the internal markets in electricity and natural gas, and the laws that transposed these directives into national laws, namely the laws of 7th August 2012 regarding the organization of the electricity and natural gas markets, transport and distribution grid management activities have been legally separated from the other activities of generation and sale of electricity and gas.

Note 3 - Summary of significant accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the amended Law of 19th December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting policies

The main valuation rules applied by the Company are the following:

Foreign currency conversion

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Formations expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account at the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealized exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

Assets and liabilities items which are fair valued are converted at the exchange rates effective at the balance sheet date. Foreign exchange differences on those items which are accounted at fair value are recognised in the profit and loss account.

Intangible fixed assets

Intangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost, less cumulated depreciation amounts written off and value adjustments. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. The depreciation method is straight-line and the duration three years.

Where the Company considers that an intangible fixed asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Tangible assets

Tangible assets are recorded at their acquisition price including the expenses incidental thereto or at production costs. Tangible assets are depreciated over their estimated useful economic lives.

Value adjustments for electricity assets are made in accordance with the following principles:

- Buildings, plant and equipment that are not part of the grid: straight-line depreciation based on the coefficients laid down in Article 30 of the Concession Agreement of 11th November 1927 and in the Agreement of 8th September, 1998.
- Buildings, plant and equipment that are part of the grid: depreciation using the declining-balance method based on coefficients equal to double those referred to above for investments completed before 1990, and to triple those referred to above for investments completed thereafter.
- Other equipment, machines and furniture: straight-line depreciation over one year in general.
- Fixed assets contributed by the City of Luxembourg or purchased from Echternach: straight-line depreciation, duration from four to forty years.

Value adjustments for gas assets are made in accordance with the following principles:

- Buildings, plant and equipment contributed by Luxgaz Distribution S.A. and by the City of Luxembourg: straight-line depreciation, duration from 4 to 40 years.
- The tangible assets bought since 2010 by Creos Luxembourg S.A. are depreciated using the declining-balance method, based on coefficients equal to triple to linear and a duration from 4 to 40 years.

When a part of grid assets is to be replaced and cannot be separately identified, no disposal of assets is accounted for and the replaced assets continue to be depreciated with normal rates. This accounting principle has been agreed with the Regulator for the determination of grid tariffs.

When the Company considers that a tangible asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Tangible fixed assets in the course of construction are valued at cost, based on the direct costs of the Company, and are reviewed for impairment annually.

The costs incurred on fixed assets under development created by the Company itself are recorded in the profit and loss account under caption "Fixed assets under development" during the year and are transferred at balance sheet date to the appropriate balance sheet caption.

Financial fixed assets

Shares in affiliated undertakings and participating interests are recorded in the balance sheet at their acquisition cost including the expenses incidental thereto. Loans to affiliated undertakings and loans to undertakings with which the Company is linked by virtue of participating interests are included at their nominal value. In the case of an impairment that the Board of Directors considers as permanent in nature, value adjustments are made in respect to these long-term investments to apply the lower value to be assigned to them at the balance sheet date. These value adjustments are not maintained when the reasons for making them have ceased to exist.

Raw materials and consumables

Raw materials and consumables are valued at the lower of purchase price calculated on the basis of weighted average cost or market value. Value adjustments are recorded when the estimated realisable value of stocks is lower than the weighted average cost. The value adjustments are not maintained if the reasons for recording them have ceased to exist.

Finished goods and work and contracts in progress

Finished goods and work and contracts in progress are valued at the lower of production cost including the purchase price of the raw materials and consumables, the costs directly attributable to the product/contract in question and a proportion of the costs indirectly attributable to the product/contract in question, and market value. A value adjustment is recorded where the market value is below the production cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Debtors are recorded at their nominal value. Value adjustments are recorded when there is a risk that all or part of the amounts concerned may not be recovered. These value adjustments are not maintained if the reasons for recording them have ceased to exist.

Prepayments

This asset item includes expenditures incurred during the financial year but relating to a subsequent financial year.

Provisions

The aim of provisions is to cover clearly defined charges and liabilities which, on the balance sheet date, are either probable or certain but for which the amount or date of occurrence cannot be determined. A review is carried out at year-end to determine the provisions to be recorded for the Company's liabilities and charges. Provisions recorded in previous years are reviewed annually and those no longer needed are released.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred as to their amount or the date on which they will arise.

Provisions for pensions and similar obligations

The Company offers its employees a defined benefit plan and a defined contribution plan.

Defined benefit plan

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to the historical evolution of long term interest rates.

Actuarial gains and losses are charged or credited in the profit or loss in the period in which they arise.

Past-service costs are recognized immediately in the profit or loss account.

Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions paid are directly registered in the profit and loss during the year they are paid. The commitment of the Company is limited to the contributions that the Company agreed to pay into the fund on behalf of its employees.

Non subordinated debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account when the debt is issued.

Deferred income

This liability item includes income received during the financial year or preceding years but relating to a subsequent financial year.

Net turnover

Net turnover relates to transportation and distribution of electricity and gas provided as well as related activities as part of the Company's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales.

Other operating income

Other operating income comprises all income only indirectly linked to usual business activities.

Income from financial fixed assets

Dividend income is recorded when dividends are paid.

Note 4 - Intangible fixed assets

Intangible assets comprise IT software licences and IT projects. Movements for the year were as follows:

IT software licences and projects	2013	2012
	€	€
Gross book value - opening balance	15,864,417	14,669,394
Additions for the year	2,618,147	1,195,023
Disposal for the year	(436,550)	-
Gross book value - closing balance	18,046,014	15,864,417
Accumulated value adjustment - opening balance	(14,702,492)	(14,249,235)
Allocations for the year	(673,864)	(453,257)
Reversals for the year	436,549	0
Accumulated value adjustment - closing balance	(14,939,806)	(14,702,492)
Net book value - closing balance	3,106,208	1,161,925

Note 5 - Tangible fixed assets

Movements for the year were as follows:

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Payments on account and tangible assets in course of construction	TOTAL 2013	TOTAL 2012
	€	€	€	€	€	€
Gross book value - opening balance	62,027,437	1,128,527,898	53,556,547	93,322,016	1,337,433,897	1,289,573,802
Additions for the year	0	5,702,551	1,882,024	113,889,817	121,474,392	84,719,266
Disposals for the year	(9,808)	(421,201)	(13,470,897)	(79,172)	(13,981,078)	(46,139,959)
Transfers for the year	552,155	62,140,152	626,529	(63,318,836)	0	9,280,788
Gross book value - closing balance	62,569,784	1,195,949,400	42,594,202	143,813,825	1,444,927,211	1,337,433,897
Accumulated value adjustment - opening balance	(21,165,460)	(749,355,041)	(50,651,321)	0	(821,171,821)	(818,798,538)
Allocations for the year	(1,419,373)	(39,105,886)	(3,407,469)	0	(43,932,728)	(42,397,375)
Reversals for the year	8,267	195,897	13,469,379	0	13,673,544	46,011,647
Transfers for the year	0	0	0	0	0	(5,987,555)
Accumulated value adjustment - closing balance	(22,576,566)	(788,265,030)	(40,589,410)	0	(851,431,006)	(821,171,821)
Net book value - closing balance	39,993,218	407,684,370	2,004,792	143,813,825	593,496,205	516,262,076

In 2013, IT Hardware and telecommunication assets as well as other sundry assets of a total value of EUR 13,470,897, which were no longer used, have been discarded from the assets.

Note 6 - Financial fixed assets

Movements for the year were as follows:

	Affiliated undertakings	Undertakings with which the company is linked by virtue of participating interests	Own shares or own corporate units	TOTAL 2013	TOTAL 2012
	Shares	Shares			
	€	€	€	€	€
Gross book value - opening balance	42,000,000	430,000	469,595	42,899,595	42,430,000
Additions for the year	0	100,000	0	100,000	469,595
Gross book value - closing balance	42,000,000	530,000	469,595	42,999,595	42,899,595

In 2013 Creos Luxembourg S.A. created a company named Learning Factory with the Chambre de Commerce, ArcelorMittal Luxembourg, Schneider Electric Industries SAS, Fedil - Business Federation Luxembourg, Enovos Luxembourg S.A., the municipality of Esch-sur-Alzette and Sudstroum S.à r.l.. The purpose of the new company is to establish a center for continued vocational training with practical experience, primarily in the field of energy efficiency and process optimization.

In 2013, Creos Deutschland GmbH was restructured in order to separate the regulated activities from the unregulated ones. Creos Deutschland GmbH first became a holding company renamed Creos Deutschland Holding GmbH, then the grid activities and the service activities were transferred to two separate entities, Creos Deutschland GmbH and Creos Deutschland Services GmbH.

The Company holds at least 20 % of the capital in the following undertakings (audited figures):

Company name	Headquarters	Proportion of capital held	Last available financial statements	Shareholders' equity at year-end	Of which profit for the year	Participation net value
		%		€	€	€
Creos Deutschland GmbH	Sarrebrücken (Germany)	96.88	31/12/2013	42,505,914	8,247,094	42,000,000

The Company further holds a participation of 8.3 % in CASC CWE S.A. (Capacity Allocation Service Company CWE S.A.) for a net book value of EUR 430,000, and a participation of 16.45 % in Learning Factory for a net book value of EUR 100,000. The Board of directors is of the opinion that no value adjustments of these investments are necessary.

Note 7 - Trade receivables

Trade receivables relate mainly to revenues from transportation and distribution of electricity and gas.

Impairment of current assets are computed for the customers for whom the realization of the outstanding receivable is not assured.

Value adjustments are recorded in the income statement under "Value adjustments on elements of current assets" for an amount of EUR 65,114.

Note 8 - Amounts owed by affiliated undertakings

The item "Amounts owed by affiliated undertakings" of EUR 58,548,385 comprises EUR 23,305,938 related to commercial activities with affiliated undertakings.

Creos Luxembourg S.A. has entered into a cash pooling agreement with Enovos International S.A. which, as of 31st December 2013, owed a cash amount of EUR 35,242,446 to the Company (EUR 0 as at 31st December 2012). This amount is recorded under the caption "Amounts owed by affiliated undertakings". The Company paid an interest rate based on Euribor plus a margin for loans (respectively is paid an interest based on Euribor minus a margin for deposits).

Note 9 - Other receivables

As of 31st December 2013, this caption mainly comprises a receivable of EUR 16,691,620 (2012: EUR 11,790,825) in the context of the mechanism of the "Fonds de compensation", income tax recoverable of EUR 9,416,762 (2012: EUR 11,487,272), and VAT receivable of EUR 8,455,773 (2012: EUR 2,771,986).

Note 10 - Prepayments and deferred income

The difference between the actual and the accepted costs and revenues related to the network are assessed on an annual basis by the "Institut Luxembourgeois de Régulation" (ILR). Any difference is considered by the ILR in the determination of the tariffs for electricity and for gas for subsequent years. In case actual net revenues are exceeding revenues as accepted by ILR, tariffs for the subsequent years will be reduced and consequently, such negative difference is provided for.

According to the regulation scheme, a cumulated difference (2013 and prior years) is calculated individually for each regulated activity (electricity, gas transport, gas distribution, metering electricity, metering gas) and is provided for, when positive, in the caption Prepayments for an amount of EUR 2,860,584 (2012: EUR 4,150,751) and when negative, in the caption Deferred income for an amount of EUR 20,667,847 (2012: EUR 18,150,374).

Furthermore, Creos Luxembourg S.A. participated early 2013 together with the other grid operators in Luxembourg in the "Luxmetering GIE" to develop an IT platform dedicated to the smart metering system to come. The GIE has no capital and the financial stake of Creos Luxembourg in the GIE is around 80%. Cash advances of EUR 539,074 paid to Luxmetering G.I.E. are posted under the caption "Prepayments".

The same caption also comprises prepaid expenses related to rental charges relating to a subsequent financial year for an amount of EUR 92,001 (2012: EUR 109,042).

Note 11 – Capital and reserves

As at 31st December 2013, the Company's subscribed capital was EUR 198,851,260. The capital is fully paid-up and represented by 9,942,563 shares without designation of a nominal value.

The Company is required to allocate a minimum of 5 % of its annual net income to a legal reserve, until this reserve equals 10 % of the subscribed share capital. This reserve may not be distributed.

The movements for the year are as follows:

	31/12/2012	Distribution of dividends	Allocation of previous year's profit	Profit of the year	Other movements		31/12/2013
	€	€	€	€	Increase	Decrease	€
Subscribed capital	198,851,260	0	0	0	0	0	198,851,260
Share premium and similar premiums	189,562,253	0	0	0	0	0	189,562,253
Legal reserve	18,343,961	0	1,541,165 ¹⁾	0	0	0	19,885,126
Reserve for own shares	469,595	0	0	0	0	0	469,595
Other reserves:	67,830,405	0	31,830,000	0	0	(9,000,000)	90,660,405
Other reserve	31,530,405	0	20,000,000 ¹⁾	0	0	0	51,530,405
Blocked reserve	36,300,000	0	11,830,000 ¹⁾	0	0	(9,000,000)	39,130,000
Profit brought forward	7,424,061	0	(12,647,503) ¹⁾	0	9,000,000 ¹⁾	0	3,776,558
Result for the financial year	50,536,216	(29,812,554) ¹⁾	(20,723,662) ¹⁾	64,242,369		0	64,242,369
Total	533,017,751	(29,812,554)	0	64,242,369	9,000,000	(9,000,000)	567,447,566

1) Decision of the ordinary general meeting of shareholders of 14th May 2013.

The amount allocated to the blocked reserve is equal to five times the amount of the wealth tax credit. The total reserve amounts to EUR 39,130,000, and breaks down as follows: EUR 9,500,000 for 2008, EUR 8,000,000 for 2009, EUR 4,500,000 for 2010, EUR 5,300,000 for 2011 and EUR 11,830,000 for 2012. The amount allocated for 2007, EUR 9,000,000, was released to retained earnings as at 31st December 2013 (Note 16). This reserve is non distributable for a period of five years from the year following that during which the Net Wealth Tax was reduced.

Note 12 – Provisions

12.1. Provisions for pensions and similar obligations

Under a supplementary pension scheme, Creos Luxembourg S.A. has contracted a defined benefit scheme for staff members who started their employment with the Company before 1st January 2001. The Company is committed to pay a lump sum at the retirement of each employee. The amount reported in the balance sheet is estimated based on the following assumptions:

- retirement age taken into account for financing: 60 years
- yearly discount rate of 4.2 %
- estimated wage at time of retirement.

Actuarial profits and losses are immediately recognised in the income statement.

In addition, in a defined contribution pension scheme for staff members who joined the Company after 1st January, 2001, the Company pays a contribution to an insurance Company that is recorded under expenses for the year. For 2013, expenses for the pension scheme amount to EUR 667,584 (2012: EUR 545,188).

12.2. Other provisions

The caption "Other provisions" comprises provisions to cover liabilities due to employees for holidays not taken and provisions for regulatory risk.

Note 13 – Amounts owed to affiliated undertakings

As of 31st December 2013, the Company owed EUR 16,685,524 to affiliated undertakings (2012: EUR 10,108,260). Creos Luxembourg S.A. has entered into a cash pooling agreement with Enovos International S.A. which, as of 31st December 2013, owed a cash amount of EUR 0 from the Company (EUR 1,743,281 as at 31st December 2012). The Company paid an interest rate based on Euribor plus a margin for loans (respectively is paid an interest on Euribor minus a margin for deposits).

On 26th June 2013, Enovos International issued a German Certificate of Indebtness (Schuldschein) of EUR 102 million with a tenor of 7, 10, 12 and 15 years, of which EUR 65 million were lend to the Company at back-to-back conditions. The interest rate charged reflects the costs incurred by Enovos International S.A. to raise the funds in the financial markets. The Schuldschein bears a floating interest rate for the 7 year tenor and a fix interest rate of 2.81 %, 3.22 % and 3.5 % for the 10,12 and 15 years tenor respectively. The interests for the floating 7 years tenor are paid twice a year in June and December whereas the interests on the fix tenors are paid in June every year. The interests are appropriately provisioned in the accounts. The accrued interest payable as at 31st December 2013 amounts to EUR 672,512.

Note 14 – Staff costs

Staff costs include salaries, social security costs as well as costs for the pension plans. In 2013, the Company had on average 652 employees (2012: 638). The figure in 2013 includes the staff of the City of Luxembourg made available to Creos Luxembourg S.A. (131 employees), the costs of which are shown under wages and salaries for EUR 12,312,680 (2012: EUR 13,045,875).

Note 15 – Extraordinary charges, reversal of value adjustments on current assets, extraordinary income

There was a disagreement over the invoices that have been issued by Amprion GmbH (formerly RWE Transportnetz Strom GmbH) to Cegedel Net S.A. (merged in 2009 into Creos Luxembourg S.A.) since January 2006 corresponding to the transport in Germany of quantities concerning electricity supply from Twinerg S.A. to Cegedel S.A.. In February 2011, the two parties Amprion GmbH and Creos Luxembourg S.A. have concluded a settlement agreement according to which the latter paid EUR 3.8 million to settle the issue with Amprion GmbH for costs accrued until end of 2008. As per a further agreement dated 20th September 2012 between Creos Luxembourg S.A., Enovos International S.A., Enovos Luxembourg S.A., Twinerg S.A. and Electrabel S.A., the parties agreed on a final litigation settlement concerning the transport costs in relation with the Twinerg supply. According to this agreement, an extraordinary charge of EUR 10,316,002 has been recorded in 2012 to cancel the outstanding invoices, and the existing provision on these receivables of EUR 3,666,360 has been reversed. Twinerg agreed to pay an indemnity of EUR 7,300,000 to settle the dispute.

Note 16 – Income tax

Creos Luxembourg S.A. is subject to all taxes applicable to companies in Luxembourg and the tax provisions have been provided in accordance with the relevant laws. In accordance with paragraph 8a of the Law dated 16th October, 1934 as amended, Creos Luxembourg S.A. will opt for the reduction of the net wealth tax due for the year 2013 by setting up a special reserve equal to five times the amount of the net wealth tax reduced (see note 11). As of 31st December 2013, tax debts cover principally preceding years from 2010 to 2011. For 2009, 2012 and 2013, an amount of EUR 9,416,762 is recorded in other receivables (see note 9).

Note 17 – Net turnover

Net turnover for the year 2013 breaks down as follows:

	2013	2012
	€	€
Sales grid power	135,271,970	122,122,830
Sales grid gas	34,589,304	34,253,575
Metering revenues	15,533,813	15,497,186
Energy sales power (equilibrium)	(2,801,916)	(4,604,093)
Other revenue	19,925,375	24,089,964
Total	202,518,546	191,359,462

Energy sales power (Equilibrium) are the differences between nominations made by suppliers and their actual purchases. This difference which can be a cost (or a revenue) for the company is re-invoiced (or credited) to the suppliers.

Note 18 – Income from financial fixed assets

This caption includes the dividends paid by Creos Deutschland Holding GmbH for an amount of EUR 8,912,537 (2012: dividends paid by Creos Deutschland GmbH EUR 7,168,780).

Note 19 – Remuneration paid to members of the administration and supervisory bodies

Remuneration paid to members of the administration and supervisory bodies totalled EUR 565,526 (2012: EUR 552,340). No advance or loan was granted to members of the administration and supervisory bodies, nor was any commitment given on their behalf in respect of any form of guarantee.

Note 20 – Related parties transactions

During the financial year, the Company does not conclude any significant transactions with related parties which are not done at market price.

Note 21 – Off balance sheet commitments

The Company has issued bank guarantees in the context of its regular business for a total amount of EUR 1,000,000 (2012: EUR 1,000,000).

Note 22 – Post-balance sheet events

No major post balance-sheet event has occurred.

4 Audit Report

To the Shareholders of Creos Luxembourg S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Creos Luxembourg S.A., which comprise the balance sheet as at 31 December 2013, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Creos Luxembourg S.A. as of 31 December 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

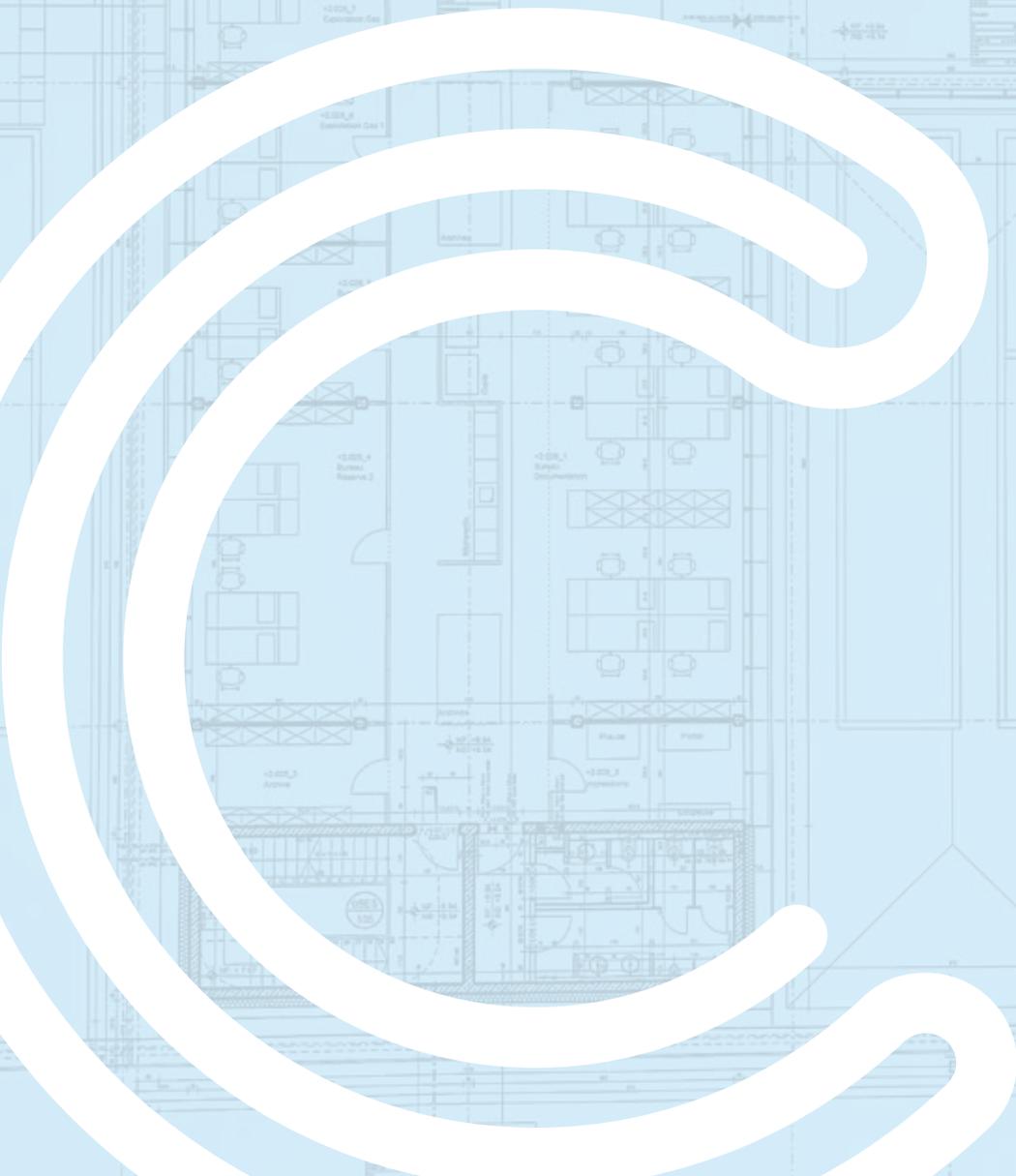
Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

PricewaterhouseCoopers
Société coopérative

Luc Henzig
Luxembourg, 13th March 2014

Energy in motion





Creos Luxembourg Annual Report is published in both English and French.
Only the English version may be considered the original; others are simply a free translation.

We would like to thank all those involved in the preparation and publication of this Annual Report.

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